







## **THE ROUTINE OF A PUBLIC ISSUE**

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# THE ROUTINE OF A PUBLIC ISSUE

BY

OSWALD M. BROWN

*Fellow of the Institute of Chartered  
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WITH A FOREWORD BY

HAROLD G. BROWN

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*Secretarial Practice: The Manual of the Chartered Institute of Secretaries.*

## FOREWORD

THE resumption of activity in the new issue market, following the gradual return of confidence amongst the investing public and the removal of the so-called "embargo" recently imposed by the Treasury, makes the appearance of this book most opportune.

Very large issues, such as government and municipal loans or the stocks of public utility corporations, must usually of necessity be arranged by the banks and large issuing houses, having their own permanently organised new issue departments, but even such experts will find in this volume ideas and information which will enable them to improve their present practice. To all others concerned with public issues of capital by companies, whether incorporated under the English Companies Acts or otherwise, this book should be of real interest and invaluable assistance; and particularly to company secretaries and others responsible for the details of organisation, both during the progress of an issue and after the allotment has been made. Many of the suggestions seem to be capable of adaptation by company secretaries in connection with the routine work of their offices.

The improvement of mechanical appliances for dealing with clerical work has in recent years revolutionised office routine in many directions and not least in connection with the subject matter of the present work.

The importance of speed and accuracy in handling applications and dealing with the various questions which arise in the course of an issue makes it essential that the routine arrangements should be carefully planned. The necessary steps to that end are clearly and fully described by the author, while the requisite legal and Stock Exchange formalities are concisely explained.

The comprehensive series of specimen forms and precedents which is included in the book should be invaluable as a guide in practice and for purposes of reference; while the inclusion of

a complete reprint of the Stock Exchange regulations, pertaining to leave to deal and official quotations, and a chapter on some legal points having special reference to public issue routine, provides further useful features.

The author has dealt with his highly complicated and technical subject not only with commendable clarity but also in a manner which makes a somewhat "dry" subject interesting and entertaining. No one can read this book without appreciating that the author is thoroughly master of his subject.

HAROLD G. BROWN.

*October, 1932.*

## INTRODUCTION

Having regard to the extensive developments which have taken place in joint stock company finance since the introduction of the principle of limited liability, and to the vast sums which are subscribed in the course of a normal year for the establishment of new and the development of existing companies as well as for home and foreign government and municipal loans, there is surprisingly little literature on the subject of new issue work.

The various legal aspects of a new issue and the formalities which are required to be observed by those responsible for the issue of a prospectus or offer for sale are of course fully dealt with in many treatises on the law. The usual methods of application for and allotment of shares and stock of companies registered under the Companies Acts are also referred to in books on secretarial and accountancy practice. So far as I have been able to ascertain, however, no attempt has hitherto been made to describe with any completeness the actual routine work involved or the problems in practical detail which are likely to be encountered in the handling of a large public issue.

Yet public issue work possesses special features and involves careful organisation to a degree which surely merits the attention of a special text book. It is work, moreover, which has a peculiar fascination and which provides almost unlimited scope for the exercise of ingenuity and enterprise in the achievement of the requisite speed in making the allotment combined with accuracy in the various records required.

In this book I have endeavoured to deal fully with all matters relative to the routine or detail work of an issue by a joint stock company, not only as regards the actual receipt of applications and issue of letters of allotment and regret, but also in connection with the subsequent work of dealing with splits, consolidations and renunciations, registration, etc. In addition, I have included some notes on the handling of cases where a quantity of shares or stock is "placed" or "introduced" to the market through the medium of a financial syndicate.

## INTRODUCTION

The flotation of government and municipal issues and those of large public corporations is usually undertaken by the Bank of England, or by one or more joint stock banks or finance houses having their own "new issue" departments with large permanent staffs; while issues by gas companies and similar undertakings, incorporated by special Acts of Parliament, frequently take the form of sales by tender. In the majority of cases, however, the general principles of the necessary routine are the same as in industrial and similar issues under the Companies Acts.

In the preparation of this book for the press I have received most valuable and generous assistance from many sources, my gratitude for which I wish to place on record. I am particularly indebted to the Committee of the Stock Exchange for permission to reproduce in full the Stock Exchange regulations pertaining to new issues and official quotations; to the Council of the Chartered Institute of Secretaries for permission to quote extracts and reproduce certain forms from *Secretarial Practice*, the Manual of the Institute; to the Right Hon. Lord Wrenbury, P.C., M.A., for permission to quote extracts from *Buckley on the Companies Acts*; to Mr. Hubert A. Meredith and Messrs. Sampson Low, Marston & Co., Ltd., for permission to quote from *The Drama of Money Making*, in the preparation of Chapter I; to Messrs. Gee & Co. (Publishers), Ltd., for permission to quote from *Some New Ideas on Public Issue Allotment Work*, particularly in Chapters V and VII; to Mr. E. James Bennett, F.C.A., of the firm of George A. Touche & Cc., Toronto, for the notes on the Canadian and American system included in Chapter X; to Mr. S. Malcolm Baird and Mr. S. Harold Brown, of the firm of Linklaters & Paines, and Mr. George Cockburn of The British, Foreign and Colonial Corporation, Ltd., for their kindness in reading the proofs; and to Mr. Harold G. Brown for contributing the foreword.

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October, 1932.

# THE ROUTINE OF A PUBLIC ISSUE

## CHAPTER I

### HISTORICAL NOTE

IT may be thought that the heading of this opening chapter is somewhat ambitious; that a text book on routine work does not need or is not the place for an historical note; perhaps even that there can be but little scope for the historian in dealing with the machinery of raising money as distinct from the drama of money making.

It is not without interest, however, on looking back through the years, to see when the various attributes incidental to modern methods of obtaining subscriptions by the public of capital for industrial and other issues were first experienced; and so far as possible to obtain some indication of the methods adopted for the same purpose in earlier days.

In his most interesting book on *The Drama of Money Making*, from which the greater part of the information in this chapter is extracted, Mr. Hubert A. Meredith describes the principal speculative booms which have occurred from the seventeenth century to date and the issue to the public of stocks in companies of various kinds since the early years of the eighteenth century.

"The word stock, in its present commercial sense, was first applied to the shares of the East India Company, and of the other great associations established during the seventeenth century, for foreign and colonial trade. At first the stock was not marketable. A separate subscription was made for each enterprise, and the subscriber was held responsible for his shares until the transaction was completed, and his portion of profits, if there were any, was assigned to him. But soon the shares became permanent, and their holders were enabled, if they chose, to dispose of them like any other property, for whatever they were worth." (*The Romance of Trade*, H. R. Fox Bourne.)

Dealings in the shares of coal companies, fishing companies and companies such as the New River Company, established by

letters patent in 1619, and the Hudson's Bay Company, incorporated by Royal Charter in 1670, as well as in Bank of England stock and various government securities, were common in the late seventeenth and early eighteenth centuries. Such stocks and shares, before they could be dealt in, must have been issued; but, although there is a wealth of literature on the various financial, political and moral aspects of the matter, there is but little to indicate the actual routine adopted in the process of issue.

It is clear that some form of application and allotment book was customary in those days and it is of interest to read, in connection with the formation of the ill-fated South Sea Company, that "on 27th June, 1711, a Commission was signed directing that the persons therein named, or any five or more of them, should, as soon as conveniently might be, provide one or more books for taking subscriptions to the joint or capital stock of the Corporation; that the said Commissioners should provide a convenient house to be the office or offices; and at the said offices such subscription books should lie open every day, except Sundays, from eight to twelve in the morning, and from three to six in the afternoon, until July 7, unless the whole subscription to the said capital stock should be sooner completed." (*The South Sea Bubble*, Lewis Melville.)

In 1717, John Law, who in the previous year had established his bank in Paris, formed a company to work the mineral wealth of a vast tract of country down the banks of the Mississippi, which started a wave of speculation among the people of France, and two years later the company was re-organised as the "Company of the Indies" with an enormously increased capital. The public rushed to subscribe for the shares, the process apparently being to call personally at Law's house, where—according to a contemporary writer—many were crushed to death or maimed for life in the attempt to enter the house for the purpose of subscribing.

In 1720 there was published a pamphlet, entitled "A full and impartial Account of the Company of Mississippi, otherwise called the French East India Company, Projected and settled by Mr. Law," which appears to have been very much in the nature of a prospectus and which contained glowing accounts of the advantages to be gained by subscribing to the Company's shares or "actions," which were obtainable on conversion of State bills. The following extracts from the pamphlet provide

an interesting indication of the methods adopted in obtaining public subscriptions.

"As the Company had undertaken to provide the King a Loan of 1200 Millions, they found it necessary in the Month of September following to raise 500 Millions by the Sale of 50 Millions of Actions, at the rate of a Thousand per Action, which was Ten times the original Value of the Actions."

"The Subscriptions were fill'd in a few Hours; nay, and they were oblig'd to return a Third Part which was subscrib'd above the Sum, which amount'd to Seven hundred and seventy five Millions. The Subscribers were not oblig'd to pay in the whole Sum all at once, but in Ten Monthly Payments; which, however, was afterwards alter'd for their Convenience."

"The first Payment of these new Subscriptions was sold the very next Day at Cent per Cent Profit."

"In a few Days afterwards, Books were again open'd to receive Subscriptions for the like Sum upon the same Conditions and Restrictions as the former; and they were fill'd in as short a time."

"The Company's Cashiers were forbidden by an Arrêt of Council to receive in those Subscriptions, or in the Nine Payments remaining to be made for the last, any Money or Bank Bills, but only State Bills or other the King's Debts therein specify'd . . . ."

" . . . . the Actions are on Paper payable to Bearer, so that the Owners may at any time exchange them for Ready Money, or Bank Notes."

There does not seem to have been any question in this case of closing the lists on account of over-subscription! But it would be interesting to know how Law coped with the rush, whether the company's cashiers were accommodated at his private house, whether he supervised all the actual work of allotment himself and what was the exact form of the document which subscribers received as evidence of their title to their shares.

It is recorded that Law eventually moved to a great hotel in the Place Vendôme, with a garden of several acres where there was created a market to which subscribers could adjourn on obtaining their shares and sell them at once at a substantial profit; also that a cobbler with a stall near Law's house made

200 livres a day by providing standing room, pens and paper, where the transfer of shares could be executed. This latter episode would seem to indicate that some form of register was kept notwithstanding the above-quoted reference to shares in bearer form.

In 1720, following the large increases in the capital of the South Sea Company and the consequent speculation which took place in its stock, we get the formation of the extraordinary series of "Bubble" companies which eventually caused such widespread ruin, and it is interesting to note the procedure adopted for raising their capital. The promoter would advertise that subscription lists would open at a certain time and would engage an office in one of the coffee houses in 'Change Alley where applications for shares could be received. The amount payable on application for shares in some of these companies was very modest, several requiring only 6d. or 1s. per cent. while one company only asked for 1s. per thousand. Receipts were given for these payments on application and these receipts changed hands in 'Change Alley at ever-increasing prices as the boom progressed. This may perhaps be regarded as the forerunner of the modern system of renunciation of allotments and also of the practice of "staggering."

Throughout the greater part of the eighteenth century the settlement of the basis of allotment seems frequently to have been marred by corruption, and by political jobbery in cases of Government issues. When conditions were favourable and prices were likely to rise, the bulk of the allotments went to friends of the promoters; while, when the reverse was the case and prices were likely to fall, these friends were forgotten and generous allotments were made to public applicants. These questionable methods appeared also in many cases during the railway boom of 1845 referred to later.

Apart from exceptional cases of speculative mania like the Mississippi and South Sea companies, the persons in charge of the detail work on a new issue were not in those days under the necessity of coping with applications in such volume as is frequently experienced at the present time. In 1778, a Government loan drew applications from 240 persons; in 1779 from 600; in 1780 from 1,100 and in 1781 from 1,600. But on the other hand, of course, there were not the same facilities for rapid handling of the work as are now available.

Not only has the number of applications normally received on a public issue changed materially in the course of years; the nominal value of the shares issued has also changed in consonance with the spread of investment in public companies amongst the general public. The idea of popularising a company's shares by reducing their nominal value was adopted by Law in connection with his Mississippi Company. "He had the shares of 5,000 livres divided into coupons of 500 livres, equally payable by tenths, so as to popularise the investment." (*The Financier Law; his scheme and times*, P. A. Cochut.)

In 1825 the favourite nominal value for shares in English companies was £100; in the middle of the nineteenth century £10 was the popular share value, but in the South African mining boom of 1895 the usual figure was £1. In the rubber boom of 1910 subscriptions of capital for the numerous companies then formed were obtained from a still wider public by the introduction of 2s. shares; and in 1928 the process was carried a stage further by the flotation of companies with part of their capital in the form of 1s. deferred shares. It is interesting to note here, however, that an issue consisting partly of 1s. deferred shares was made as far back as 1895, on the formation of the London and Globe Corporation by Whitaker Wright.

With the merits or demerits of this gradual process of diminution in nominal value this book is not concerned; there can be no question, however, that the introduction of shares of small denomination has led directly to large increases in the number of applications received, and consequently in the volume of work thrown on to those in charge of the routine.

That ubiquitous and much discussed individual the "stag" seems first to have appeared definitely on the scenes in the railway boom of 1845.

"The stag, in a state of nature, is a harmless, timid, graminivorous animal, whose appetite is small, and easily satisfied; whereas there is no end to the voracity of the carnivorous railway stag; who is always in search of those premiums which constitute the very flesh and blood of railway speculators. The railway stag has only one characteristic in common with his antlered namesake; he is very shy of being seen, and the most experienced hunters find great difficulty in tracing him to his lair. He is, in fact, more cunning than a fox, by which cognomen he would have been more appropriately designated."

(*The Commercial Crisis, 1847-1848*, D. Morier Evans; quoted from *British and Foreign Railway Review*.)

In those days persons who applied for a new issue with the sole object of selling at a premium as soon as dealings commenced were known as "Little-Go" or "Alleymen," and they were materially assisted in their operations by the fact that no application money was required from persons who wrote offering to take up shares, the practice being to sell the letters which they received informing them how many shares they would be allowed to subscribe. "When a new company comes out, and is advertised in the daily papers, he immediately calls for a form of application, fills it up, and despatches it, with the moderate request to be 'allotted' one hundred or two hundred shares, the amount of call or share being quite immaterial to him, as he never intends to pay or keep them, his only aim being to increase his available stock of letters, so that he can make a 'deal,' and pocket the profit should they have a price among the fraternity." (*The Commercial Crisis, 1847-1848*, D. Morier Evans; quoted from *The City, or the Physiology of London Business*.)

It would appear that these letters were not really comparable with what we now know as letters of allotment.

The method of settling the basis of allotment in the case of issues made in the boom of 1845 does not seem to have been quite in accord with present day ideas, nor does there seem to have been any great anxiety to hasten the despatch of letters of allotment and regret.

The new issues having been advertised and the letters from would-be subscribers having been received, the directors very much at their leisure decided what to do with the shares; the procedure apparently being to wait a few weeks and see what the market looked like. Then, if the market was strong, the directors would take substantial allotments for themselves; next they would generously supply the requirements of their friends; and finally such shares as were left over were allotted in very small numbers to those applicants amongst the general public whose residences indicated that they might be desirable stockholders.

If, on the other hand, the market was weak, the public would receive allotments in full in respect of their applications, with disastrous results where—as occurred in many cases—applicants had applied for more shares than they really wanted, or

could afford to pay for, in the anticipation of receiving only a very small proportion. This latter occurrence is not unknown at the present day and the practice of applying for a much larger number of shares than is really required is a common practice with the modern "stag."

The custom of allowing dealings in new issues immediately details were known, instead of their being prohibited until after allotment as is the rule now, provided plenty of opportunity for the financier of nimble brain to enrich himself at the expense of others. An interesting example of this occurred in 1889 in connection with the "bear squeeze" in the shares of H. H. Warner & Company, described by Mr. Meredith in *The Drama of Money Making*.

Heavy over-subscription of new issues, though experienced in effect in connection with John Law's Company of the Indies in 1719 and the South Sea "Bubble" companies a year later, did not approach the heights known to present day promotors until the late nineteenth and early twentieth century. In 1895 the purchase and flotation by Ernest Terah Hooley of the Dunlop Tyre Company provided what was an astonishing instance for those times of over-subscription of an industrial issue, the total amount subscribed being £9,000,000 for an issue of £5,000,000. The rush for shares in new companies floated during the rubber boom of 1910, when no fewer than 52 rubber companies were registered in the first two months of the year, is well known.

The increasing interest in new issues taken by the public, whether with a view to investment, speculation or mere "staging," has necessitated and has resulted in the gradual evolution of more efficient methods of handling applications and making allotments, concurrently with periodical strengthening of the law relating to new issues and the regulations of the Stock Exchange in connection with dealings in and market quotations of new stocks and shares. This evolution has been facilitated by the development of the engineering and office appliances industries, which—starting with the perfection of high-speed printing machinery and the invention of the type-writer—has in recent years provided numerous aids to efficiency in the shape of calculating machines, addressing machines, sorting and tabulating machines, machines for sealing and stamping envelopes and many other purposes.

## CHAPTER II

### ALTERNATIVE TYPES OF ISSUE AND FORMALITIES APPLICABLE THERETO

BEFORE proceeding to the description of the routine of a public issue, with which this book is primarily concerned and by which is meant the detail involved in handling applications received, in making the allotment and in the subsequent registration work, etc., arising out of the allotment, it is as well to refer briefly to the different types of issue which are of most common occurrence and to the formalities which must be observed in order to comply with the provisions of the Companies Act and with the regulations of the Stock Exchange.

The information contained in this chapter refers exclusively to issues made by companies within the scope of the Companies Act, 1929. The process of underwriting an issue is not dealt with here as that is regarded as coming under the heading of "preliminary organisation," which is the subject of the next succeeding chapter.

For the purpose of considering the provisions of the Companies Act, 1929, public offers of shares or securities may conveniently be divided into three categories, but for the purpose of this book it is necessary to add a fourth. The first three are as follows:—

- (a) An offer made to the public by a company, either direct or through a bank or issuing house, of its own shares or debentures *for subscription*.
- (b) An offer made to the public by a third party, such as an issuing house, of the shares or debentures of a company *for sale*, where such shares or debentures have been allotted by the company to the third party with a view to their being offered for sale to the public.

It should be noted here that the Companies Act provides that, unless the contrary is proved, it shall be evidence that the shares or debentures were allotted with a view to their being offered for sale to the public if it is shown:—

- (i) That an offer of the shares or debentures or any of them for sale to the public was made within six months after the allotment or agreement to allot the shares was made, or

(2) That at the date when the offer was made the whole of the consideration to be received by the company in respect of the shares or debentures had not been so received by the company.

Even though the offer is made more than six months after the date of allotment, and even if the shares or debentures have been fully paid at the date when they are offered to the public, it may nevertheless be necessary to comply with the requirements applicable to issues within this category, *if in fact the shares or debentures were allotted with a view to their being offered to the public.*

In cases where shares or debentures are purchased by an issuing house with a view to their offer to the public for sale, it is necessary to stipulate in the purchase contract that the contract is conditional upon the company complying, and procuring its directors and auditors to comply with all the requirements of the Act, and it is as well to make the vendor company undertake to indemnify the issuing house against all liabilities it may incur through the failure of the company or its directors or auditors to comply with the Act, or through information supplied by the company or its directors or auditors proving to be either inaccurate or incomplete.

(c) An offer made to the public by a third party of the shares or debentures of a company *for purchase*, where such shares or debentures were not allotted by the company with a view to their being so offered.

The formalities to be observed in connection with an issue falling within either of these three categories are summarised in this chapter; and the greater part of the remainder of this book (Chapters III to IX) is given up to a description of the routine or "machinery" of handling such an issue, the details being to all intents and purposes the same in each case.

The fourth category comprises issues by "introduction," where shares or debentures of a company are "placed" privately through the aid of one or more Stock Exchange firms by whom application is made to the Committee of the Stock Exchange for permission to deal in the shares or debentures in question.

The effect of this method is that the company does not deal with the public direct at all, the shares or debentures issued being usually allotted to the persons through whom they are "placed," or to their nominees, and eventually finding their way into the hands of the public through the ordinary machinery of sale and purchase on the Stock Exchange.

So long as the allotment is within the powers of the company issuing the shares or debentures no special legal formalities have to be considered, as is the case with an ordinary prospectus

issue or offer for sale. The Committee of the Stock Exchange have prescribed certain regulations, however, with a view to securing so far as possible that issues by introduction shall be accompanied by the disclosure to the public of adequate information regarding the shares or debentures introduced.

These regulations are reproduced, by the kind permission of the Stock Exchange Committee, in the appendix; the principal requirement being the publication in the press of an advertisement containing very much the same information as is given in a prospectus issued under the Companies Act.

Where an issue is placed through a Stock Exchange firm or financial house who simply accept an allotment of the shares or debentures in question and then sell them on the market, there is probably no need for the adoption of any special routine. In certain circumstances, however, the "placing" may be arranged through the medium of a syndicate or group of firms or individuals, the machinery of the transaction being arranged by one or more individuals or by a small limited company, registered under the Companies Acts, in which the parties responsible for the placing are interested. The routine applicable to such cases is described in Chapter X.

To return now to the formalities incidental to a public issue within the scope of the first three categories above-mentioned; these may be divided into two sections. On the one hand there are the legal formalities, compliance with which is required by the Companies Act, and on the other hand there are the formalities which arise under the regulations prescribed by the Committee of the Stock Exchange.

#### LEGAL FORMALITIES.

For the purpose of considering the provisions of the Companies Act, 1929, as affecting the issue of shares or securities of a company, companies may be divided into two classes, namely:

First:—Companies incorporated under the Companies Act, 1929, or under the Joint Stock Companies Acts, the Companies Act, 1862, or the Companies (Consolidation) Act, 1908. These are for convenience hereafter referred to as "English companies." It is to be noted that there is not included in this class of companies any company incorporated by Royal Charter or by special Act of Parliament or registered in Northern Ireland or the Irish Free State.

Secondly:—Companies incorporated outside Great Britain. These are for convenience hereafter referred to as "foreign companies." This class would include a company incorporated in any foreign country or colony or dependency and companies registered or incorporated in Northern Ireland or the Irish Free State.

It will be noted, therefore, that companies incorporated by Royal Charter or special Act of Parliament are not (except as mentioned below) within the provisions of the Companies Act, 1929, at all, so far as public offers of their shares or securities are concerned.

The Act does not define what is meant by "a company incorporated outside Great Britain." This phrase may well be held to be wide enough to include a foreign corporation similar, for instance, to the Port of London Authority or the Metropolitan Water Board, although these bodies would not be considered companies in the ordinary commercial sense. Until a decision of the Court has been given on this subject, it will be advisable to assume that *foreign* corporations of the character above referred to are within the provisions of the Act.

### ISSUES BY ENGLISH COMPANIES.

When an issue is made by an English company, as defined above, the Companies Act requires firstly that, except where the offer comprises further shares or debentures and is made only to existing shareholders or debenture-holders, the prospectus offering the shares or debentures shall comply with the following requirements in all cases where the issue comes within the scope of either of the two categories (a) or (b) set out at the commencement of this chapter:—

- (1) The prospectus must be dated.
- (2) A copy of the prospectus signed by every person who is named therein as a director or proposed director of the company, or by his agent authorised in writing, must be delivered to the Registrar of Companies for registration on or before the date of its publication, and no such prospectus can be issued until a copy thereof has been so delivered for registration.
- (3) The prospectus must state on the face of it that a copy has been delivered for registration.
- (4) The prospectus must set out the contents of the memorandum, with the names, descriptions and addresses of the signatories, and the number of shares subscribed for by them respectively.

**NOTE.**—This does not apply where the prospectus is published as a newspaper advertisement.

The prospectus must also state:—

- (5) The number of shares, if any, fixed by the articles as the qualification of a director, and any provision in the articles as to the remuneration of the directors.
- (6) The names, descriptions and addresses of the directors or proposed directors.
- (7) The amount, or estimated amount, of preliminary expenses.
- (8) The number of founders or management or deferred shares, if any, and the nature and extent of the interest of the holders in the property and profits of the company.

These do not apply where the prospectus is issued more than two years after the company became entitled to commence business.

(9) Where shares are offered to the public for subscription, particulars as to:—

- (i) The minimum amount which, in the opinion of the directors, must be raised by the issue of those shares in order to provide the sums, or, if any part thereof is to be defrayed in any other manner, the balance of the sums, required to be provided in respect of each of the following matters:—
- (a) The purchase price of any property purchased or to be purchased which is to be defrayed in whole or in part out of the proceeds of the issue.
- (b) Any preliminary expenses payable by the company, and any commission so payable to any person in consideration of his agreeing to subscribe for, or of his procuring or agreeing to procure subscriptions for any shares in the company.
- (c) The repayment of any moneys borrowed by the company in respect of any of the foregoing matters.
- (d) Working capital: and

(ii) The amounts to be provided in respect of the matters aforesaid otherwise than out of the proceeds of the issue and the sources out of which those amounts are to be provided.

(10) The amount payable on application and allotment on each share, and, in the case of a second or subsequent offer of shares, the amount offered for subscription on each previous allotment made within the two preceding years, the amount actually allotted, and the amount, if any, paid on the shares so allotted.

**NOTE.**—The amount payable on application for shares must not be less than 5 per cent. of the nominal amount of the shares.

(11) The number and amount of shares and debentures which within the two preceding years have been issued, or agreed to be issued, as fully or partly paid up otherwise than in cash, and in the latter case the extent to which they are so paid up, and in either case the consideration for which those shares or debentures have been issued or are proposed or intended to be issued.

(12) The names and addresses of the vendors of any property purchased or acquired by the company, or proposed so to be purchased or acquired, which is to be paid for wholly or partly out of the proceeds of the issue offered for subscription by the prospectus, or the purchase or acquisition of which has not been completed at the date of issue of the prospectus, and the amount payable in cash, shares, or debentures, to the vendor, and where there is more than one separate vendor, or the company is a sub-purchaser, the amount so payable to each vendor.

**NOTE.**—Every person is deemed to be a vendor who has entered into any contract, absolute or conditional, for the sale or purchase, or for any option of purchase, of any property to be acquired by the company, in any case where:—

(a) The purchase money is not fully paid at the date of the issue of the prospectus;

- (b) The purchase money is to be paid or satisfied wholly or in part out of the proceeds of the issue offered for subscription by the prospectus;
- (c) The contract depends for its validity or fulfilment on the result of that issue.

Where any property to be acquired by the company is to be taken on lease, the expression "vendor" includes the lessor, and the expression "purchase money" includes the consideration for the lease, and the expression "sub-purchaser" includes a sub-lessee.

Where the vendors or any of them are a firm the partners in the firm need not be treated as separate vendors.

- (13) The amount, if any, paid or payable as purchase money in cash, shares or debentures, for any such property as aforesaid.
- (14) The amount, if any, payable for goodwill.
- (15) The amount, if any, paid within the two preceding years, or payable, as commission (but not including commission to sub-underwriters) for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in, or debentures of the company, or the rate of any such commission.
- (16) The amount paid within the two preceding years or intended to be paid to any promoter and the consideration for any such payment.
- (17) The dates of and parties to every material contract, not being a contract entered into in the ordinary course of the business carried on or intended to be carried on by the company or a contract entered into more than two years before the date of issue of the prospectus, and a reasonable time and place at which any such material contract or a copy thereof may be inspected.
- (18) The names and addresses of the auditors, if any, of the company.
- (19) Full particulars of the nature and extent of the interest, if any, of every director in the promotion of, or in the property proposed to be acquired by, the company; or, where the interest of such a director consists in being a partner in a firm, the nature and extent of the interest of the firm.

NOTE.—This does not apply in cases where the prospectus is issued more than two years after the company became entitled to commence business.

- (20) A statement of all sums paid or agreed to be paid to any director or to the firm of which he is a member in cash or shares or otherwise by any person, either to induce him to become, or to qualify him as a director, or otherwise for services rendered by him or by the firm in connection with the promotion or formation of the company.
- (21) If the prospectus invites the public to subscribe for shares in the company and the share capital of the company is divided into different classes of shares, the right of voting at meetings of the company conferred by, and the rights in respect of capital and dividends attached to the several classes of shares respectively.

- (22) In the case of a company which has been carrying on business, or of a business which has been carried on for less than three years, the length of time during which the business of the company or the business to be acquired, as the case may be, has been carried on.
- (23) A report by the auditors of the company with respect to the profits of the company in respect of each of the three financial years immediately preceding the issue of the prospectus, and with respect to the rates of the dividends, if any, paid by the company in respect of each class of shares in the company in respect of each of the said three years, giving particulars of each such class of shares on which such dividends have been paid and particulars of the cases in which no dividends have been paid in respect of any class of shares in respect of any of those years; and, if no accounts have been made up in respect of any part of the period of three years ending on a date three months before the issue of the prospectus, containing a statement of that fact.

NOTE.—The report must be by the auditors. A report by independent accountants will not comply with this section.

See also Note to No. 24 below.

- (24) If the proceeds, or any part of the proceeds, of the issue of the shares or debentures are or is to be applied directly or indirectly in the purchase of any business, a report made by accountants who shall be named in the prospectus upon the profits of the business in respect of each of the three financial years immediately preceding the issue of the prospectus.

NOTE.—If, in the case of a company which has been carrying on business, or of a business which has been carried on for less than three years, the accounts of the company or business have only been made up in respect of two years or one year, the requirements of Nos. 23 and 24 are to be read as if references to two years or one year, as the case may be, were substituted for references to three years.

The expression "financial year" in Nos. 23 and 24 means the year in respect of which the accounts of the company or of the business, as the case may be, are made up; and where, by reason of any alteration of the date on which the financial year of the company or business terminates, the accounts of the company or business have been made up for a period greater or less than a year, that greater or less period is to be deemed to be a financial year.

#### OFFERS FOR SALE; ENGLISH COMPANIES.

Where the issue comes within the scope of category (b) the following provisions also apply *in addition to those enumerated above*:

The prospectus must state:—

- (1) The net amount of the consideration received or to be received by the company in respect of the shares or debentures to which the offer relates, and
- (2) A place and time at which the contract, under which the said shares or debentures have been or are to be allotted, may be inspected.

The prospectus, in addition to being signed by the directors, *must also* be signed by the party who is making the offer for sale, but where such party is a company or firm it will be sufficient if the prospectus is signed on behalf of the company or firm by two directors in the case of a company or not less than one-half of the partners in the case of a firm. Such directors or partners may sign by an agent authorised in writing instead of signing personally.

#### ISSUES BY FOREIGN COMPANIES.

When an issue is made by a foreign company, as defined above, the Companies Act requires firstly that, except where the offer comprises further shares or debentures and is made only to existing shareholders or debenture-holders, the prospectus offering the shares or debentures shall comply with the following requirements in all cases where the issue comes within the scope of either of the two categories (a) or (b):—

- (1) The prospectus must be dated.
- (2) Before the issue, circulation or distribution of the prospectus in Great Britain, a copy thereof, certified by the chairman and two other directors of the company as having been approved by resolution of the managing body of the company, must be delivered for registration to the Registrar of Companies.
- (3) The prospectus must state on the face of it that a copy has been so delivered.
- (4) The prospectus must contain particulars with respect to the following matters:—
  - (i) The objects of the company.

**NOTE.**—Where a prospectus is published as a newspaper advertisement, it will be sufficient if the advertisement states the primary object for which the company was formed.

- (ii) The instrument constituting, or defining the constitution, of the company.

**NOTE.**—The Act does not say what particulars are to be given, but presumably it requires information as to the nature of the document (e.g. certificate of incorporation or charter, or statutes) by whom issued or granted, date, etc.

- (iii) The enactment, or provisions having the force of enactments, by or under which the incorporation of the company was effected.

**NOTE.**—This will presumably necessitate particulars of any special or general law by virtue of which the company is incorporated.

- (iv) An address in Great Britain where the said instrument, enactments or provisions, or copies thereof, and, if the same are in a foreign language, a translation thereof certified in the prescribed manner, can be inspected.

**NOTE.**—This will involve certified translations of foreign laws and documents of considerable length.

These provisions do not apply where the prospectus is issued more than two years after the date on which the company became entitled to commence business.

- (v) The date on which, and the country in which the company was incorporated.
- (vi) Whether the company has established a place of business in Great Britain, and, if so, the address of its principal office in Great Britain.

The prospectus must also state:—

These provisions do not apply where the prospectus is issued more than two years after the date on which the company became entitled to commence business.

- (5) The number of shares, if any, fixed by the constitution of the company as the qualification of a director, and any provision in the constitution of the company as to the remuneration of the directors.

NOTE.—This will necessitate statements of the directors' percentages of profits and tantiemes (if any).

- (6) The names, descriptions and addresses of the directors or proposed directors.
- (7) The amount, or estimated amount, of preliminary expenses.
- (8) The number of founders or management or deferred shares, if any, and the nature and extent of the interest of the holders in the property and profits of the company.
- (9) Where shares are offered to the public for subscription, particulars as to:—
  - (i) The minimum amount which, in the opinion of the directors, must be raised by the issue of those shares in order to provide the sums, or, if any part thereof is to be defrayed in any other manner, the balance of the sums, required to be provided in respect of each of the following matters:—
    - (a) The purchase price of any property purchased or to be purchased which is to be defrayed in whole or in part out of the proceeds of the issue;
    - (b) Any preliminary expenses payable by the company, and any commission so payable to any person in consideration of his agreeing to subscribe for, or of his procuring or agreeing to procure subscriptions for, any shares in the company;
    - (c) The repayment of any moneys borrowed by the company in respect of any of the foregoing matters;
    - (d) Working capital; and
  - (ii) The amounts to be provided in respect of the matters aforesaid otherwise than out of the proceeds of the issue and the sources out of which those amounts are to be provided.
  - (10) The amount payable on application and allotment on each share, and, in the case of a second or subsequent offer of shares, the amount offered for subscription on each previous allotment made within the two preceding years, the amount actually allotted, and the amount, if any, paid on the shares so allotted.

- (ii) The number and amount of shares and debentures which within the two preceding years have been issued, or agreed to be issued, as fully or partly paid up otherwise than in cash, and in the latter case the extent to which they are so paid up, and in either case the consideration for which those shares or debentures have been issued or are proposed or intended to be issued.
- (12) The names and addresses of the vendors of any property purchased or acquired by the company, or proposed so to be purchased or acquired, which is to be paid for wholly or partly out of the proceeds of the issue offered for subscription by the prospectus, or the purchase or acquisition of which has not been completed at the date of issue of the prospectus, and the amount payable in cash, shares, or debentures, to the vendor, and where there is more than one separate vendor, or the company is a sub-purchaser, the amount so payable to each vendor.

NOTE.—Every person is deemed to be a vendor who has entered into any contract, absolute or conditional, for the sale or purchase, or for any option of purchase, of any property to be acquired by the company, in any case where:—

- (a) The purchase money is not fully paid at the date of the issue of the prospectus;
- (b) The purchase money is to be paid or satisfied wholly or in part out of the proceeds of the issue offered for subscription by the prospectus;
- (c) The contract depends for its validity or fulfilment on the result of that issue.

Where any property to be acquired by the company is to be taken on lease, the expression "vendor" includes the lessor, and the expression "purchase money" includes the consideration for the lease, and the expression "sub-purchaser" includes a sub-lessee.

Where the vendors or any of them are a firm, it is not necessary to state the shares of the partners in the firm's profits.

- (13) The amount, if any, paid or payable as purchase money in cash, shares, or debentures, for any such property as aforesaid.
- (14) The amount, if any, payable for goodwill.
- (15) The amount, if any, paid within the two preceding years, or payable, as commission (but not including commission to sub-underwriters) for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in, or debentures of the company, or the rate of any such commission.
- (16) The amount paid within the two preceding years or intended to be paid to any promoter and the consideration for any such payment.
- (17) The dates of and parties to every material contract, not being a contract entered into in the ordinary course of the business carried on or intended to be carried on by the company or a contract entered into more than two years before the date of issue of the prospectus, and a reasonable time and place at which any such material contract or a copy thereof may be inspected.

NOTE.—This involves having copies of all these contracts available in this country for inspection *before* the prospectus can be issued.

(18) The names and addresses of the auditors, if any, of the company.

NOTE.—Most foreign companies do not have professional auditors, but presumably the names and addresses of the elected auditors or persons corresponding to auditors will have to be given.

(19) Full particulars of the nature and extent of the interest, if any, of every director in the promotion of, or in the property proposed to be acquired by, the company, or, where the interest of such a director consists in being a partner in a firm, the nature and extent of the interest of the firm.

NOTE.—This does not apply in cases where the prospectus is issued more than two years after the company became entitled to commence business.

(20) A statement of all sums paid or agreed to be paid to any director or to the firm of which he is a member in cash or shares or otherwise by any person either to induce him to become, or to qualify him as a director, or otherwise for services rendered by him or by the firm in connection with the promotion or formation of the company.

NOTE.—In the case of some foreign companies, notably American and Canadian companies, this may give rise to considerable difficulty as the practice of giving shares to directors to interest them in the success of the company is believed to be more prevalent in America and Canada than in England.

(21) If the prospectus invites the public to subscribe for shares in the company and the share capital of the company is divided into different classes of shares, the right of voting at meetings of the company conferred by, and the rights in respect of capital and dividends attached to, the several classes of shares respectively.

(22) In the case of a company which has been carrying on business, or of a business which has been carried on for less than three years, the length of time during which the business of the company or the business to be acquired, as the case may be, has been carried on.

(23) A report by the auditors of the company with respect to the profits of the company in respect of each of the three financial years immediately preceding the issue of the prospectus, and with respect to the rates of the dividends, if any, paid by the company in respect of each class of shares in the company in respect of each of the said three years, giving particulars of each such class of shares on which such dividends have been paid and particulars of the cases in which no dividends have been paid in respect of any class of shares in respect of any of those years; and, if no accounts have been made up in respect of any part of the period of three years ending on a date three months before the issue of the prospectus, containing a statement of that fact.

NOTE.—The report must be by the auditors. A report by an outside firm of accountants will not comply with the section.

See Notes to No. 18 above and No. 24 below also.

(24) If the proceeds, or any part of the proceeds, of the issue of the shares or debentures are or is to be applied directly or indirectly in the purchase of any business, a report made by accountants who shall be named in the prospectus upon the profits of the business in respect of each of the three financial years immediately preceding the issue of the prospectus.

**NOTE.**—If, in the case of a company which has been carrying on business, or of a business which has been carried on for less than three years, the accounts of the company or business have only been made up in respect of two years or one year, the requirements of Nos. 23 and 24 are to be read as if references to two years or one year, as the case may be, were substituted for references to three years.

The expression "financial year" in Nos. 23 and 24 means the year in respect of which the accounts of the company or of the business, as the case may be, are made up; and where, by reason of any alteration of the date on which the financial year of the company or business terminates, the accounts of the company or business have been made up for a period greater or less than a year, that greater or less period is to be deemed to be a financial year.

#### OFFERS FOR SALE; FOREIGN COMPANIES.

Where the issue comes within the scope of category (b) the following provisions would also, on a literal interpretation of the Act, appear to apply *in addition to those enumerated above*:—

The prospectus must state:—

- (1) The net amount of the consideration received or to be received by the company in respect of the shares or debentures to which the offer relates, and
- (2) A place and time at which the contract, under which the said shares or debentures have been or are to be allotted, may be inspected.

The prospectus, in addition to being signed by the directors, *must also* be signed by the party who is making the offer for sale, but where such party is a company or firm it will be sufficient if the prospectus is signed on behalf of the company or firm by two directors in the case of a company or not less than one-half of the partners in the case of a firm. Such directors or partners may sign by an agent authorised in writing instead of signing personally.

**NOTE.**—It is, at any rate, arguable, that in the case of an offer of shares or securities of a foreign company for sale, the provisions above-mentioned as to stating in the prospectus the amount of the consideration receivable by the company, and a place and time at which the contract for purchase can be inspected, and the above-mentioned provisions as to the signature of the prospectus by or on behalf of the party making the offer, do not apply. This is probably an oversight in the drafting of the Act, but not a matter of much practical importance as the London Stock Exchange require the information with regard to the purchase consideration to be given.

It may be mentioned here that in the case of an issue within the scope of category (b) the published document containing the terms of the offer is frequently referred to as the "particulars of the offer for sale" and not as the "prospectus."

#### OFFERS FOR PURCHASE.

In the case of an issue which comes within the scope of category (c) above (see page 9), such as where a trust company—having acquired and held for some years a block of shares in another company without any idea of a public issue—makes an offer to the public of those shares for purchase, or where a vendor to a company—having received an allotment of shares as fully paid—sells them to a finance house who offer them for purchase to the public, the Companies Act requires that except in certain specified cases the document offering the shares or debentures for purchase shall (both in the case of English and foreign companies *and in the case of companies incorporated by Royal Charter or by special Act of Parliament or otherwise howsoever*) not be issued to *any member of the public* unless it complies with the following requirements :—

- (1) The statement must be in writing and must be signed by the person making the offer for purchase.
- (2) The statement must be dated.
- (3) The statement must contain the following particulars and must not contain any other matter whatsoever and must be printed in characters not less large or less legible than any characters used in the offer or any document sent therewith.
  - (a) Whether the person making the offer is acting as principal or agent, and if as agent the name of his principal and an address in Great Britain where that principal can be served with process;
  - (b) The date on which and the country in which the company was incorporated and the address of its registered principal office in Great Britain;
  - (c) The authorised share capital of the company and the amount thereof which has been issued, the classes into which it is divided and the rights of each class of shareholder in respect of capital, dividends and voting;
  - (d) The dividends, if any, paid by the company on each class of shares during each of the three financial years immediately preceding the offer, and if no dividend has been paid in respect of shares of any particular class during any of those years, a statement to that effect;
  - (e) The total amount of any debentures issued by the company, and outstanding at the date of the statement, together with the rate of interest payable thereon;

- (f) The names and addresses of the directors of the company;
- (g) Whether or not the shares or debentures offered are fully paid up; and, if not, to what extent they are paid up;
- (h) Whether or not the shares or debentures are quoted on, or permission to deal therein has been granted by any recognised Stock Exchange in Great Britain or elsewhere, and, if so, which; and, if not, a statement that they are not so quoted or that no such permission has been granted.
- (i) Where the offer relates to units, particulars of the names and addresses of the persons in whom the shares represented by the units are vested, the date of and the parties to any document defining the terms on which those shares are held, and an address in Great Britain where that document or a copy thereof can be inspected.

The specified cases which are exempt from complying with the foregoing requirements are those in which:—

- (1) The document offering the shares or debentures for purchase is issued to persons whose ordinary business or part of whose ordinary business it is to buy or sell shares or debentures whether as principal or agent.
- (2) The offer is made *only* to persons with whom the person making the offer has been in the habit of doing regular business in the purchase or sale of shares or debentures.

NOTE.—The Act affords no guidance as to how many and how frequent transactions are required to establish a "habit of doing regular business." Obviously one or two transactions will not be sufficient.

- (3) The shares or debentures have been allotted or agreed to be allotted with a view to their being offered for sale to the public.

NOTE.—In this case the offer would come within category (b) above.

- (4) The shares or debentures which are offered are quoted on, or permission to deal therein has been granted by a recognised Stock Exchange in Great Britain and the offer so states and specifies the Stock Exchange.
- (5) In the case of a foreign company, the document complies with the requirements for a prospectus within category (b).

NOTE.—The Act lays down that in the case of offers coming within category (c) a person shall not in relation to a company be regarded as not being "a member of the public" by reason only that he is a holder of shares or debentures in or a purchaser of goods from the company. Beyond this the Act does not attempt to define what is meant by "any member of the public." The phrase is very wide, but presumably does not mean "any person" as this phrase could have been used, as it is used, elsewhere in the Act.

If a person is convicted of having made an offer in contravention of the above provisions the Court may order that any contract made as a result of the offer shall be void and may make such consequential directions as it thinks proper for the payment of any money, or the re-transfer of any share or debenture. In addition, the penalty for infringement is imprisonment for a term not exceeding six months and/or a fine not exceeding £200.

#### OTHER PROVISIONS.

The Companies Act, 1929, contains a prohibition against the issue of *any form of application* for shares in or debentures of English companies or foreign companies, unless the form is issued with a prospectus which complies with the requirements of the Act as set out above. The only exceptions to this general prohibition are as follows:—

In the case of both English and foreign companies:—

- (1) A bona fide invitation to a person to enter into an underwriting agreement with regard to the shares or debentures.
- (2) An offer of shares or debentures made only to existing shareholders or debenture-holders of the company concerned.

In the case of an English company only:—

- (3) Where the shares or debentures are not offered to the public.

It will be noted, therefore, that the Act makes it illegal to issue an application form in the United Kingdom for shares or debentures in a foreign company, unless that form is accompanied by a full prospectus, even if the application form is issued privately without any offer being made to the public.

In the case of English companies it would appear to be still permissible to get capital privately subscribed and for that purpose to issue an application form, but great care will need to be exercised to make sure that the offer is not an issue to the public, as contravention of this provision is a criminal offence.

This difficulty in the case of foreign companies might possibly be overcome, where it is desired to offer privately a participation in the formation of a foreign company, by taking from the participant not an application form but an irrevocable power of attorney in favour of someone else to sign in the foreign country an application form for the shares or debentures.

One, and probably the most important, effect of this provision in practice is that it makes illegal the advertisement of an "abridged prospectus" accompanied by a form of application. In other words, a prospectus, however long, must be advertised in full if an application form is to be appended thereto.

In every case, therefore, where it is proposed to issue anything in the nature of a form of application for shares or debentures in a company, whether English or foreign, it will be necessary to consider very carefully whether the circumstances in which that form is issued constitute a contravention of the provisions of the Act, unless the form is being issued in connection with a full prospectus complying with all the requirements set out above.

It is apprehended that "form of application" means an application to a company for an allotment of its own shares or debentures and would not include an application to purchase shares from a third party, but the point is open to considerable question.

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The Act does not define what is meant by "the public," but some guidance may be obtained from certain provisions of the Act, viz.:—

- (i) An offer by a company of further shares or debentures to its own shareholders or debenture-holders is, in effect, declared not to be an offer to the public.
- (ii) An offer of shares or debentures to any person whose ordinary business it is to buy or sell shares or debentures, whether as principal or agent, is for certain purposes not to be deemed an offer to the public.
- (iii) In the case of offers for purchase of shares or debentures coming within category (c) above referred to, the fact that a person is a shareholder or debenture-holder in a company or a purchaser of goods from a company is not of itself to be proof that such person is not a member of the public.

#### STOCK EXCHANGE FORMALITIES.

In addition to the legal formalities referred to in the foregoing pages, the Committee of the London Stock Exchange has prescribed regulations which must be complied with in order to obtain permission to deal in the shares or debentures which are to be issued and an official quotation thereof in the Stock Exchange Daily Official List.

These regulations are reproduced in detail in the appendix, by kind permission of the Stock Exchange Committee.

## CHAPTER III

### PRELIMINARY ORGANISATION

IN the successful and efficient handling of a large public issue a most important, and in fact essential, part is played by careful organisation or "staff work" in advance, so that when the prospectus makes its appearance and the lists are open to the public everything may proceed smoothly and no breakdown occur in the "machinery."

It should be mentioned here that throughout this book, in all chapters dealing with routine, the term "issue" or "prospectus" is intended to be read as including an "offer for sale." In certain matters of detail where the technical difference between an issue and an offer for sale is of importance, reference is made where necessary to the effect of such difference, but generally speaking the routine work involved is exactly the same in either case. Similarly, reference is made most frequently to the issue of shares, the same routine being applicable to an issue of debentures or debenture stock save for the elimination of distinctive numbers. Where the expression "stock" is used it is normally to be read as meaning debenture stock. Preference or ordinary stock cannot be issued direct; shares must first be issued and then, when fully paid, may be converted into stock. A frequent custom in connection with issues of capital by investment trust companies in recent years was for the prospectus to offer so many shares of (say) £10 each and to contain (on the front page in heavy type) a statement that each share—when fully paid up—would be converted by resolution of the board into (say) £6 of preference and £4 of ordinary stock; the preference stock carrying the right to a cumulative preferential dividend of (say) 5 per cent. and to priority as to capital but no right to further participation in profits or assets. Under the Companies Act, 1929, (section 50) this conversion must be effected by the company in general meeting.

This method, where feasible, very materially simplifies the routine work of the issue, as the two classes of stock do not have to be considered until after the allotment is made; especially as it is usual to state in such cases that no share certificates will

be issued, but that stock certificates will be issued in due course and that meanwhile letters of allotment—with bankers' receipts attached—will be equivalent to certificates for transfer purposes, thus eliminating the necessity of inserting distinctive numbers of shares. (See also references to "provisional scrip.")

#### MAIN ESSENTIALS.

The main essentials of the routine of any public issue are:—

- (a) The ability to furnish at any moment concise information as to the total amount so far applied for and the analysis of such amount into units or denominations.
- (b) The ability to trace quickly any particular applicant or application in connection with withdrawals, queries, etc.
- (c) The ready identification of "stags."
- (d) The rapid completion of the allotment and issue of letters of allotment and regret.
- (e) The provision of a simple and reliable means of dealing with splits, consolidations and renunciations as soon as the allotment is made.
- (f) The rapid preparation and issue of cheques in payment of brokerage.

#### PERSONS RESPONSIBLE FOR THE ISSUE.

To enable the preliminary work of organisation to be efficiently carried through, it is essential that whoever is to be primarily responsible for the handling of the issue and making the allotment should be made thoroughly conversant with the terms of the prospectus. He should also be entrusted with the responsibility for the design and preparation of all the various forms required, including the letters of allotment or acceptance and the application forms which are to be enclosed with the prospectus, subject of course to the approval of such forms where necessary by the solicitors for the issue and by the Share and Loan Department of the London Stock Exchange.

During the progress of the issue the principal person in charge of the routine will necessarily confine himself to general supervision and to dealing with the numerous enquiries which will be received by telephone or telegraph and through the post, notifications of the withdrawal of applications, etc.; and to keeping in touch with those responsible for the issue.

Although the routine to be followed is in its broad outline the same on all public issues, the detail must inevitably vary according to the particular circumstances of each case. This

variation will depend upon many things, such as the class of stock or share to be issued, the terms of payment, the preferential treatment of existing shareholders, customers or staff of the company making the issue, etc. It will to a large extent be governed, however, by the decision as to who is to be responsible for the detail work involved in receiving and handling the applications and in making the allotment; and, in forming this decision, the following questions—amongst others—will have to be considered:—

- (1) Where is the work of allotment to be done?
- (2) Whose signature is to be printed on the letters of allotment and regret, and on the other forms which will be required, as secretary or registrar or otherwise?
- (3) Who will settle and authorise the basis of allotment?
- (4) Who will sign cheques for return of application money on letters of regret and withdrawals, payment of brokerage, etc.?
- (5) Do the board of the issuing company regard the listing of applications on the usual type of application and allotment sheets as essential?
- (6) Who is to be responsible for the handling of splits, consolidations, renunciations, collection of allotment money, etc., after the actual issue is made?
- (7) Who is to prepare the share registers and certificates and what type of register is to be used?
- (8) Is the company bound to any particular firm of printers, or can those who are to be responsible for the routine work employ their own printers and have a free hand in designing and ordering the necessary forms?

Broadly speaking it may be said that the board of a company about to make a public issue have four alternatives from which to choose when arranging for the routine. The actual receipt of the applications, with cheques for the application money attached, is almost invariably undertaken by the company's bankers whose name appears upon the prospectus. The handling of the applications for purposes of making the allotment, however, may be undertaken by one or other of the following:—

- (1) *The bankers who receive them.*—In this case the bank will be responsible for listing the applications, preparing a summary for consideration by the board of the company, and preparing and posting the letters of allotment and regret. Except in the case of an issue by a large company by which the bankers are appointed to act as permanent registrars and transfer agents, however, they will probably not be concerned with the work which follows after the allotment, such as dealing with splits,

consolidations and renunciations, preparing share certificates and writing up share registers. Nor will the bankers usually undertake the designing of the requisite forms; that must be done by the company's officials subject to approval by the bank.

- (2) *An issuing house.*—The term "issuing house" may here be read as including either a large financial house, with a permanent staff capable of handling a public issue as part of its ordinary duties, or a small promoting company or syndicate registered under the Companies Acts with an office of its own or else housed by a professional firm but not having a large permanent staff. In the latter case the handling of the routine of an issue of any size will probably necessitate the engagement of temporary additional staff. Here again, the issuing house or promoting syndicate may or may not be responsible for the work which follows the allotment and which in many ways is of greater importance, from the point of view of careful organisation, than the actual work of allotment.
- (3) *A professional firm.*—Some professional firms, usually chartered or incorporated accountants, specialise in public issue work and are accustomed to undertake the responsibility for all the routine in connection with the allotment and also the subsequent work. A convenient and very usual plan in such circumstances is for one of the principals to be appointed "secretary, *pro. tem.*" of the company making the issue.
- (4) *The issuing company's own staff.*—In such a case the work may be done under the supervision of the board or secretary, if they have the requisite knowledge and experience, or of a firm of professional accountants experienced in public issue work who may or may not be the auditors of the company; if not the auditors, their name will probably appear separately on the prospectus as "accountants for the issue."

In addition to the persons actually responsible for the routine of the issue, great responsibility rests with the solicitors and it is a common practice to appoint a separate firm as "solicitors for the issue" in cases where the solicitors who act for the issuing company in general matters have not the requisite knowledge and experience. Both as regards the legal formalities which must be observed and the routine involved, public issue work requires specialised knowledge and experience, and serious difficulty may be caused if in the course of drafting and approving the various forms and notices the practical handling of the routine be overlooked. For example, the efficient handling of the work of allotment may very easily be seriously impaired by reason of the adoption of a form of application or letter of allotment which—although legally correct—does not satisfactorily provide for all the various matters of practical detail which may have to be dealt with during the progress of the issue.

**INSTRUCTIONS TO PRINTERS.**

Having decided who is to be entrusted with the responsibility for the routine of the issue, the next important matter is to design the various forms required and give the necessary instructions to the printers. This work, as mentioned above, should (apart from the prospectus) be done by the person primarily responsible for the routine.

Specimen forms with detailed descriptions are included in the appendix. Some of the forms given are worded so as to apply to a share issue, while others are worded for an issue of debenture stock; it should be understood, however, that in most cases they are applicable to either type of issue, subject only to the necessary amendment in matters of detail.

Following are some brief notes regarding certain special points to be considered when designing the forms and instructing the printers.

*Serial numbers.* In order to avoid any risk of confusion on the part of the printers, and to facilitate reference when placing orders, it is advisable that every form used should be distinguished by means of some definite system of numbering. The simplest plan is probably to number the different types of form consecutively when the first proofs are ordered, each number being prefixed by the initials of the company making the issue; and the initials and number should actually be printed in small type in the corner or margin of the form.

*Prospectus and Application.* The prospectus will usually be drawn up by the solicitors in consultation with the directors, and the solicitors will usually arrange for the printing of the prospectus and application form by their own printers. The secretary of the company and/or whoever is in charge of the issue should also be fully acquainted with the terms of the prospectus and should be consulted regarding the form of application.

This latter point is of practical importance as the careful arrangement of the "setting" of the form may very materially assist the routine work when the lists are opened; (e.g.) the author has seen application forms designed with the spaces for the insertion of the number of shares applied for and the amount of the deposit at the extreme left-hand side, so that when the applications were placed on files of standard pattern the figures were almost obscured by the binding.

A matter of detail in connection with the prospectus and application form which may very materially simplify the routine work of allotment is the inclusion of a stipulation that applications must be for (say) 10 shares or multiples thereof. This stipulation should be clearly noted in both prospectus and application form, preferably in heavy type. It is a convenience, also, to have the applications punched by the printers with two holes in the left-hand margin for filing purposes; but in large issues, where speed in completing the printing of prospectuses and application forms is essential, this is usually not feasible.

The printers who print the prospectus and application form will of necessity be a firm having facilities for "rush" work, prepared to work all night and capable of turning out large quantities in the shortest possible time. The actual quantity required will usually be settled in consultation with the bankers and brokers, who will also furnish particulars on which can be based the instructions to the printers as to the despatch of the prospectus to different addresses and districts.

It should be noted here that where prospectuses are despatched to different parts of the country, for issue by branch offices of bankers and/or by provincial brokers, each batch should be accompanied by a special advice form stipulating that the prospectuses should not be issued to the public before a stated date and time. This is important in view of the desirability of synchronising as closely as possible the time of issue of the prospectus throughout the country.

Where a company makes an issue of additional shares or stock, preferential treatment on allotment being offered to existing shareholders, customers and/or staff, it is usual to have separate application forms printed for their use on specially coloured paper so as to facilitate identification when the applications are being dealt with by those in charge of the issue.

As regards the rest of the forms required for use in connection with the issue, there is no necessity to have the printing done by the same firm who print the prospectus. In fact, unless the latter are a very large firm it is probably best not to do so. It is important, however, that the firm entrusted with the work of printing the letters of allotment and regret should also be thoroughly efficient, capable of rush work and ready to put

themselves to any inconvenience which may be necessary to help the speedy completion of the allotment.

*Letters of allotment and regret.* One of the chief problems in the preliminary organisation of an issue is estimating the number of letters of allotment and regret required. It is frequently a matter of great difficulty to forecast the response which an issue is likely to receive from the public, and there may often be doubts in the minds of those responsible as to whether a large enough supply has been obtained or is readily available. This applies in particular to letters of allotment, which have to be embossed with a sixpenny (or—in certain cases—a penny) stamp; as although, in the event of the supply running short through the issue being heavily over-subscribed, it may present no very great difficulty to the printers to rush through a further supply, the Inland Revenue stamping officers cannot be rushed. Probably the best way of avoiding this difficulty, if there is felt to be any risk of a shortage, is to have a further supply of paper beyond the fullest estimated requirements cut to size and stamped but left unprinted and merely kept in readiness in case of emergency. The value of any stamps unused can be recovered later and only the value of the paper need be lost.

It should be noted here that, quite apart from the number of allotments likely to be made, a considerable proportion of such allotments (usually from 25 per cent. in an ordinary issue to 45 per cent. in an issue of an unusually attractive nature) will be split, thereby necessitating the issue of additional letters of allotment in place of the originals. (See also reference on page 73 to consolidations, which require the preparation of still further letters of allotment.)

*Share certificates.* The number of share certificates to be ordered cannot definitely be ascertained until after the issue, when the number of shareholders is known. They should then be ordered in books of (say) 250 certificates each, quarter bound in stiff card coloured similarly to the certificates within, and the binding to be of leather or pegamoid similarly coloured. All certificates should be machine-numbered in three places (*viz.* :—certificate, receipt and counterfoil) from 1 upwards throughout the series.

Before the certificates are bound into books, instructions should be furnished to the printers to fill in the number of shares in figures on counterfoil, receipt and certificate (in two

places) and in words in the body of the certificate, in accordance with the units required, so that so many books will contain certificates printed for 100 shares, so many for 200 shares and so on. The books when printed and bound should be lettered on back (in gold) and on side (in print) with the initials or name of the company, the words "Preference (or Ordinary) Share Certificates," the consecutive numbers of the certificates in the book and the denomination of such certificates.

In addition to having certain books provided with certificates printed for special denominations, there should be one or more books left in blank for use in the case of odd holdings.

*Duplicating forms, tickets, etc.* In respect of each form or ticket the first order to be placed should be for (say) two books (duplicating) with the top sheet perforated; to be machine-numbered (in duplicate) from 1 upwards, viz.:—first book, Nos. 1-100; second book, Nos. 101-200; subsequent books, when ordered, to carry on the numbering from 201 upwards.

All books should be quarter bound in card of similar colour to the form within, the binding to be of leather, pegamoid or strong cloth, similarly coloured, and to be lettered on back in gold lengthwise, the *name* of the form being *preceded* by the initials of the company and *followed* by the consecutive numbers contained in the book. The lettering on the side to be done in print and to consist of the name and serial number of the form, preceded by the name of the company and followed by the consecutive numbers contained in the book.

#### STOCK EXCHANGE APPROVAL.

Before giving final instructions to the printers with regard to the various forms required it is advisable, and in some cases essential, to submit the printed proofs to the Share and Loan Department of the London Stock Exchange. This applies in particular to the following forms, all of which are referred to in detail in a later part of this book:—

1. Letter of allotment (or acceptance).
2. Share certificate (or bearer scrip).
3. Split ticket.
4. Exchange ticket.
5. Transfer receipt.
6. Balance ticket.

With the exception of the letters of allotment, these forms will not be required for use until after the allotment has been

made, but it is advisable to get them approved and ordered in advance of the issue.

#### PERMISSION TO DEAL.

In addition to obtaining the approval of the Share and Loan Department of the Stock Exchange to the various forms required, it is important to lodge at an early date the necessary application for permission to deal in the shares which are to be issued. The detailed regulations of the Stock Exchange for this purpose are reproduced in the appendix; and, even if it is not immediately possible to furnish all the documents mentioned therein as being required, the application should not on that account be deferred, as it is of great importance that there be no doubt about dealings being permitted on the issue of letters of allotment.

#### STAFF ; AND OFFICE ACCOMMODATION.

Another matter which will require careful consideration in connection with the preliminary organisation, where the routine of the issue is being undertaken by the company itself or by a professional firm or small syndicate, is the provision of the necessary staff and their accommodation.

Here again it is a question of forecasting the total number of applications likely to be received, from which basis can be estimated (*a*) the number of staff required to deal with such applications and complete the allotment within a given period of time, and (*b*) the space required for their accommodation and whether it is necessary to hire additional rooms, furniture and/or stationery.

It is customary for those in charge of the routine of a public issue to be inundated, so soon as news of the forthcoming issue gets about, with applications for work on the routine by numbers of temporary clerks. It is a matter requiring the exercise of considerable care as to whether any and if so which of such applicants should be employed, and it is an open question as to whether their employment is likely to be advantageous or otherwise. Those who have had really varied experience of public issue work should—in theory—be useful. In practice it is not uncommon nor unnatural for them to wish to display their knowledge, and in their zeal to do so to endeavour to do the work in their own way instead of in accordance

with their instructions. Given an adequate number of really experienced men on the permanent staff to act as supervisors, the detail work of the issue is probably most satisfactorily dealt with (where temporary staff is required at all) by engaging the assistance of a number of intelligent "amateurs" who may know nothing of public issue work, but who are willing to do what they are told and to go on doing so for long hours.

However the staff is constituted it is of course essential that the duties to be allotted to each clerk or group of clerks should be carefully thought out in advance and clearly defined, adequate supervision being provided in each department and especially in regard to checking all work as it is done.

#### TYPED OR PRINTED INSTRUCTIONS.

Having completed the preliminary organisation it is advisable to have detailed instructions typed, regarding the routine to be followed, so that each managing clerk who will be in charge of any part of the work may become thoroughly acquainted beforehand with his duties. In the case of a very large issue upon which a numerous staff is engaged it may also be helpful to issue typed or printed instructions in condensed form to each member of the staff.

#### OFFICE MACHINERY.

The hire and use of office machinery and appliances in facilitating the routine work of an issue is discussed in a later part of this book.

#### SPEED.

From what has already been said it will be seen that one of the prime essentials on the routine of a public issue is speed, and everything possible should be done in organising the "machinery" for handling the applications to ensure that, without any sacrifice of accuracy or completeness in the records, the allotment may be made and letters of allotment despatched at the earliest possible moment after the lists are closed.

The success of an issue largely depends upon the enthusiastic interest taken in it by stock brokers and financial houses, who in their turn interest their various clients and friends. It is important, therefore, that no serious delay should take place between the lodging of applications and the despatch of letters

of allotment, on the receipt of which the shares can at once be made the subject of an active market on the Stock Exchange.

It may be noted here that although the "stag" (the individual who applies for shares, which he has no intention of holding as an investment, merely in the hope of selling them at a premium as soon as dealings commence and before he has to pay any further instalments beyond the application and allotment money) is in many ways regarded as a nuisance by those in charge of the issue, he does at times serve a useful purpose in helping to stimulate interest in the market.

Another reason for making every effort to ensure a rapid allotment is that until the letters of allotment are actually posted any applicant is legally entitled to withdraw his application and demand the return of his money. This may be done in writing or by telegram or verbally, and if withdrawals are received in any number the progress of the allotment may be very seriously hindered, as the calculations upon which the basis of allotment is settled may be upset and have to be revised with consequent further delay and the risk of further withdrawals.

In order to secure the completion of the routine and the despatch of letters of allotment and regret with the least possible delay it is frequently necessary to work all night. In one case within the author's experience an issue of close on two million shares by a large public company was not fully subscribed by the public and allotments had to be made to the underwriters, the total number of allotments being just under three thousand. The lists opened on a Monday morning and closed on Tuesday afternoon. The staff engaged on the work worked through Tuesday night, Wednesday and Wednesday night and the letters of allotment were posted at 4 o'clock on the Thursday morning.

So far this chapter has dealt exclusively with the preliminaries incidental to the organisation of the routine or detail work of carrying through the issue and making the allotment. One other matter still requires to be mentioned, namely underwriting.

#### UNDERWRITING.

The process of underwriting, although hardly within the definition of "routine," forms so important a preliminary of most public issues that this book would be incomplete without some reference thereto.

The recognised procedure, when a public issue is contemplated, is for those desiring to make the issue (the promoters) to approach a firm of stockbrokers with a view to interesting them in the flotation. The brokers, if satisfied as to the soundness of the proposals put before them, will enter into a contract with the promoters, or with the company making or responsible for the issue, whereby they undertake to subscribe for any proportion of the shares or stock to be issued which is not taken by the public, in consideration of which they receive a commission in the form of a percentage on the whole issue. Their name will appear on the prospectus as brokers to the issue and they may also receive a special fee for thus sponsoring the issue.

The brokers in their turn, through the medium of their own clientele and of other financial firms with whom they are acquainted, will usually enter into a number of sub-underwriting contracts whereby the risk entailed in the underwriting is—in effect—"re-insured" by being passed on and distributed over a number of firms and individuals. It is of the greatest importance that these sub-underwriters should all be responsible parties, able to take up their proportion of any part of the issue which is not taken by the public.

Where sub-underwriting contracts are entered into, the commission payable to the brokers is divided into two parts; the main underwriting commission being passed on to the sub-underwriters, in proportion to the amounts respectively underwritten by them, and a separate smaller rate of commission—known as "over-riding commission"—being payable to the brokers as their remuneration for securing the sub-underwriters, i.e. for arranging for the issue to be underwritten.

Specimen forms of underwriting and sub-underwriting contract or letter will be found in the appendix (forms 1 and 2). One of these letters is required to be filled in and signed, across a sixpenny stamp, by each sub-underwriter, who then receives in exchange a duplicate copy with the form of acceptance at the foot signed either by the brokers to the issue or by the company or issuing house responsible. This acceptance is usually necessary in order to make the contract legally binding, but see also page 112.

In addition to signing a sub-underwriting letter, each sub-underwriter must also sign and enclose therewith an actual application form for the shares or stock underwritten by him,

together with his cheque for the amount payable on application in accordance with the terms of the prospectus. It is customary for the parties responsible for the issue to retain these cheques and not actually to clear them unless and until it is known that the issue has not been successful and that the underwriters will have to be called upon to take up part of their underwriting. The application forms to be signed by underwriters will be sent to them by the brokers, together with the form of underwriting letter and a preliminary proof of the prospectus. To avoid the risk of confusion with public applications, the underwriters' application forms should have the letter "U" printed in heavy type in the top right-hand corner.

#### FIRM UNDERWRITING.

Underwriters or sub-underwriters are frequently given the right to state in their underwriting letter, or in their application form—which will be provided with a space for the purpose (see form 3)—that they wish to take a part or the whole of their underwriting "firm." This means that they think sufficiently well of the shares or stock to be issued to wish to have an allotment in any case, irrespective of whether the issue is fully subscribed by the public.

In such cases when the issue is over-subscribed it is a matter for the decision of those responsible for the issue as to what proportion of the shares or stock underwritten firm shall be allotted.

Where the issue is not fully subscribed and the underwriters have to be called upon, however, the adjustment of the liability of firm underwriters is more complicated. In such cases the underwriting letter usually provides that firm subscriptions of an underwriter are to go primarily in relief of his liability, as it would be manifestly unfair to allot the firm underwriting in full and still call upon the underwriter to bear his full proportion of the balance not subscribed.

The method of adjusting the rights of underwriters as between themselves in such circumstances is best explained by a simple illustration such as the following.

A company offers for subscription 100,000 shares of £1 each. A underwrites 50,000 shares, B 25,000, C 15,000 and D 10,000. B takes 15,000 of his 25,000 and D takes 5,000 of his 10,000 shares firm. The public subscribe for only 30,000 'shares,

leaving 70,000 to be taken up by the underwriters. The position will therefore be adjusted as follows:—

Name.	Shares under- written.	Propor- tion.	Total liability.	Taken firm.	Net liability.
A.	50,000	50%	35,000	—	
B.	25,000	25%	17,500	15,000	2,500
C.	15,000	15%	10,500	—	10,500
D.	10,000	10%	7,000	5,000	2,000
	<u>100,000</u>	<u>100%</u>	<u>70,000</u>	<u>20,000</u>	<u>50,000</u>

Another frequent custom, especially in cases of issues by investment trust companies, is for the prospectus to contain a statement to the effect that "the directors are already aware of applications which will be made in terms of the prospectus, to the extent of ——— shares, which will be allotted in full."

#### ROUTINE IN CONNECTION WITH UNDERWRITING.

A list of all underwriters or sub-underwriters should be prepared as soon as the underwriting letters are received and accepted, showing the consecutive number of the underwriting letter (which should be entered thereon and also on the corresponding application form) the name, address and occupation of the underwriter, the number of shares underwritten and the amount paid on application for such shares.

Where the issue itself is to be handled on the usual system of listing all public applications on special application and allotment sheets, as described in the next succeeding chapter, it will probably be as well to use similar sheets for the purpose of preparing the list of underwriters, such sheets being kept quite separate from those used for the public and clearly marked with the letter "U." Then, in the event of the underwriters having to be called upon to take up part of their underwriting, a considerable proportion of the work involved in listing their applications will already have been done.

In cases where an underwriter wishes to take part of his underwriting firm, it is advisable to enter his underwriting on the list on two consecutive lines, giving one line to the firm and the other to the ordinary underwriting. This will facilitate the calculations in the event of the issue not being fully subscribed; while, in the event of over-subscription the entries in respect of firm underwriting can be dealt with without difficulty or even—if preferred—transferred to a separate "public" sheet.

## CHAPTER IV

### PROGRESS OF THE ISSUE: ALLOTMENT

IN the foregoing chapter a brief reference is given to various matters of routine which it is necessary to consider in the course of the preliminary organisation of the work. It is now necessary to describe in detail the routine to be followed while the subscription lists are open and also subsequent to their closing and to the settlement of the basis of allotment.

The system described below is that most commonly adopted in connection with public issues by English joint stock companies and carries the work up to the point at which the actual issue is completed by the posting of the letters of allotment. In the next succeeding chapter will be found a description of an alternative system in which the usual application and allotment sheets are omitted. The routine to be followed after the despatch of letters of allotment is described in Chapters VI and VII.

#### APPLICATIONS.

In the appendix will be found alternative forms of application (forms 4 to 7) for use in various cases. These forms are sufficiently clear in themselves to require no special comment beyond drawing attention to the instructions printed in heavy type at the foot. These instructions are sometimes printed down the margin of the form, which therefore has to be turned sideways before they can be read. In the opinion of the author it is better to print the instructions at the foot as they are more likely to receive attention. Even with such clear instructions it is often a source of astonishment and of no little irritation to those who have charge of an issue that applicants so frequently make mistakes in filling up their application forms and/or in drawing their cheques for the application money.

One type of mistake on the part of applicants, which imparts a little comic relief into the routine work, is frequently to be found when the application form provides a space for the insertion of the applicant's "description" instead of using the words "title or occupation" or "business or profession." In

such cases it is intriguing, but not really helpful, to be told that the applicant is of medium height with wavy brown hair and blue eyes.

The first stage in the routine, following the issue of the prospectus and the opening of the subscription lists, is the receipt of the applications, each of which should be accompanied by a remittance of the amount payable on application. As mentioned in the previous chapter, this part of the work is usually handled by the company's bankers, with whom applicants are directed—in both prospectus and application form—to lodge their applications.

The bankers' practice is to number the applications consecutively and to detach the cheques, etc. and list them on narrow listing sheets, each one being numbered on the sheet to agree with the number placed on the application. The listing sheets are prepared by the bank in duplicate; one copy being attached to the cheques, which are then passed forward for clearing, and the other being attached to the batch of applications to which it refers. The information entered on the listing sheets by the bank includes the application number, the number of shares or amount of stock applied for, the amount paid on application, and sometimes but not always the name of the applicant.

#### RECEPTION OFFICE.

When the routine of the issue is being undertaken by the company's own staff, or in fact by anyone other than the bankers, the next stage in the work consists of the collection of the applications from the bank at intervals of (say) two or three hours, the period depending upon the rate at which they are being received and dealt with by the bank.

On receipt of the applications from the bank they should be carefully checked with the bank lists and the lists should then be filed in such a manner that the numbers placed by the bank upon the applications run consecutively through the file, the latest list being on top. The file of bank lists will then serve as a subsidiary cash book, recording the receipt of the application money, and only the totals need be entered in the company's main cash book (referred to in a later chapter). The numbers given to the applications by the bank will provide a means of reference to this subsidiary cash book or file, but it is suggested that for all other purposes of the issue they should be ignored,

the applications being re-numbered at a later stage as explained herein (see page 42).

Amongst the applications received there will probably be found a considerable number on forms cut from newspaper advertisements of the prospectus, and there may be some on ordinary letter paper. In such cases it will materially facilitate the work if each one is pasted to a spare official application form, the particulars on the official form being completed so far as possible from the information available on the actual application. This work may be done in the office of the company or issuing house, or by the bankers who receive the applications. In large issues it may be desirable to supply the bankers with plain sheets of paper, cut to the same size and shape as the official application forms, to which newspaper and letter applications may be affixed.

Having been checked as above mentioned, and scrutinised for any omissions, the applications should be passed to a clerk provided with an adding-machine, which can if necessary be hired or borrowed for the occasion, and the numbers of shares applied for should be listed thereon. This provides a means of keeping a running summary and total of applications always available throughout the progress of the issue and also a valuable check on other parts of the work.

It is necessary here to mention the possibility of applications being received bearing a special mark, to indicate that for some special reason the applicant in question is to receive preferential treatment, when the basis of allotment is being settled, in the event of over-subscription. The arrangement of such special marking will of course be known beforehand to those in charge of the issue and it will then be necessary to give instructions that throughout the whole of the routine specially marked applications must be kept separate from those not so marked, commencing with their being separately summarised on the adding machine. This necessitates the use of a machine capable of adding two columns separately.

After being summarised or totalled on the adding machine the applications should be passed forward to the sorting room.

#### SORTING ROOM.

The sorting is the most important part of the work in the first stages as upon it depends the rapid settlement of the basis of allotment.

On receipt of the applications from the reception office they should be sorted under units or denominations, by means of baskets appropriately labelled, specially marked applications being sorted separately. At the same time the clerks responsible for the sorting should prepare a tally or summary of the applications so sorted, which should be kept constantly up-to-date and frequently checked by reference to the adding-machine summary or to the bank lists in the reception office. This running tally or summary will enable the sorting room clerks to produce at any moment during the progress of the issue a complete summary and analysis under units of the applications received to date.

The sorted applications should remain in their baskets until the number in any particular basket reaches 25, when they should be passed forward for listing. If the number of applications for a particular unit does not quite reach 25 and remains stationary for some time it may be desirable to list them, but they should afterwards be returned to the basket together with the sheet upon which they are listed so that any further ones of the same unit subsequently received may be added.

#### LISTING.

In the appendix (forms 8, 9 and 10) are given alternative forms of ruling for use in listing applications received respectively on issues of different types and conditions.

These "application and allotment sheets" are designed to fit into file covers which should be specially made of suitably strong material. They take the place of the old type of application and allotment book which for many years now has generally been superseded by the more modern loose-leaf principle.

To facilitate the listing and to keep a ready check on the applications received, both as regards number and value, the best plan is to have the application and allotment sheets designed to take 25 applications each. It is for this reason that it is suggested above that the applications when sorted should be passed forward for listing in batches of 25, any others of the same unit being kept back pending the receipt of further ones to complete another batch. If preferred, the number of applications to be listed on each sheet can be restricted to 20 instead of 25.

Each sheet should be provided, at the top above the ruling, with a space specially designed for the insertion of the signatures of those responsible for the different stages of writing-up and checking.

It was at one time the general custom, when listing applications, to enter them on the application and allotment sheets as they were received without any attempt at sorting. This system may possibly serve well enough with a very small issue but it has every conceivable disadvantage without any apparent advantage.

A more practical system is to start a separate sheet for each letter of the alphabet, with the object of keeping the names sorted alphabetically and so facilitating the tracing of any particular applicant by name. This system is not really satisfactory, however, as although all the A's, B's, etc., can be kept sorted it is impossible to adhere to a strict alphabetical sorting and with any considerable number of applicants the effect of the system is very soon lost.

At the same time the value of a really complete and exact alphabetical sorting of applicants is immense, in view of the facilities which it provides for tracing applications withdrawn or cancelled, queries and "stags" and for the efficient handling of all the routine work which follows after the allotment has been made. For this purpose the obvious solution, in the opinion of the author, is the omission of listing altogether and the adoption of the visible card index system described in Chapters V and VII; but alternative methods of providing an index to applicants are mentioned later in this present chapter (see page 44).

Another plan is to arrange the listing in such a way as to keep the applications grouped under the names of the introducing brokers or agents whose stamps they bear, those bearing no stamp being listed separately. This plan has certain advantages in theory, but in practice is not satisfactory and is not recommended.

Where listing is decided upon each sheet should be designed, as suggested above, to take 25 (or 20) applications; and the lines should be machine-numbered by the printers in the left-hand margin from 1 upwards throughout the whole series of sheets, so that the first four (or five) sheets will contain applications 1-100 and so on. When the applications are listed each one should be re-numbered (apart from and in addition to the

number already placed on it by the bankers) with the number printed on the line on which it is entered on the sheet.

The preceding paragraph describes the system of numbering advocated by the author. In some cases, however, it may be found more convenient to make use of the numbers placed upon the application forms by the receiving banks, each bank being given a distinguishing letter which is placed as a prefix to the bank number wherever it appears, on application form, listing sheets, etc.

The particulars to be entered on the application and allotment sheets, following the application number, are:—Name (surname first), address, title or occupation, number of shares applied for, amount paid on application and the name of the brokers or other agents whose stamp or initials appear on the application and to whom brokerage is therefore payable in accordance with the terms of the prospectus.

Some brokers, instead of using a rubber stamp with which to mark the application forms sent to their clients, make a practice of having a supply of forms over-printed with their name or initials. In some cases it happens that an application form is found to bear, not only the rubber stamp or printed initials of a firm of brokers, but also the stamp of a bank. In this event it is usually best to give the preference to the brokers; brokerage cannot be paid to both. It may also occur that, through an oversight on the part of the printers, prospectuses containing application forms which have been over-printed with the initials of one firm of brokers are despatched to another firm, who either fail to notice or ignore the error and place their rubber stamp on the forms. Where an application form is received bearing two marks in this way, it is probably safe to assume that it is due to an error of the sort mentioned and to give the brokerage to the firm whose name is stamped on the form. In any case of real doubt, of course, it is a simple matter to make enquiries of the brokers and/or the applicant himself.

Where applications are listed indiscriminately as they are received, or on the alphabetical system described above, the number of shares applied for and the amount paid on application must be inserted in each case and the whole 25 (or 20) totalled up. Where applications are sorted under units before listing, however, it follows that, in the absence of an error in the amount paid on application, the figures for all 25 (or 20) entries

on any particular sheet will be precisely the same, and time may therefore be saved by only entering the figures against the first application on the sheet and arriving at the totals for insertion at the foot by a simple multiplication (see page 64).

On being completed each sheet should be signed in the appropriate space, by the clerk responsible for it, and passed forward—with the relative applications—for checking. On being checked the sheets should be signed accordingly and arranged in numerical order, the totals being carried to a summary sheet. The sheets should not yet be filed as they will have to be distributed again for completion as soon as the basis of allotment has been settled.

The applications should be filed in numerical order—in batches of 100 or 200—on ordinary foolscap files, an appropriate label being placed on the front of the file bearing the consecutive numbers of the applications, the unit or units and the total number of shares applied for on the applications on the file. (See page 46 for method of filing withdrawn or cancelled applications.)

#### INDEX TO APPLICANTS.

As previously mentioned, a complete alphabetical index to the applicants on a public issue is of very material assistance in the efficient handling of the routine, and in cases where applications are received in very large numbers it is probably essential.

One method of providing such an index is to adopt the visible-edge card system instead of the usual listing of applications on application and allotment sheets, as explained in the next succeeding chapter. Where it is preferred to adhere to the usual system of listing, however, the required index can be prepared in various ways, e.g.:—

- (1) By means of a special loose-leaf sub-divided index book (see form 11).
- (2) After the applications are listed they can be passed to a typist, or group of typists, entrusted with the duty of entering application number, name and address on narrow strips for use on the visible one-line index system.
- (3) The application and allotment sheets can be supplied with the left-hand section (number, name and address) in duplicate, the duplicate being on top and perforated, both vertically and also horizontally between the lines. By inserting carbon sheets between, the names and addresses can be written in duplicate at the one operation; and, after being checked, the duplicates

can be detached and sorted alphabetically. The machine-numbering of the lines (see page 42) should, of course, be repeated on the duplicate.

(4) The application forms enclosed with the prospectus can be perforated across immediately beneath the signature and above the full name (see form 7). When the listing is being done the application numbers can be inserted on both parts of the application forms and the forms can then be separated at the perforation, the top parts being filed in the usual way (see above) and the bottom parts being sorted alphabetically and arranged in trays or drawers on the ordinary card-index principle.

#### CLOSING THE LISTS.

By means of the sorting room summary referred to above the persons responsible for the issue will be kept in constant touch with its progress and will thereby be enabled to decide when to close the lists, i.e. to refuse to accept any further applications.

*Over-subscription.* Where there is heavy over-subscription it may be found necessary, by reason of the quantity of applications already received at the bank, to close the lists within ten minutes or a quarter of an hour of the official opening. The bankers should immediately be notified of this decision so that they can at once give instructions, not only at their head office but also by telephone or telegram to all branches, to refuse any further applications which may be brought in by hand. Those already in the post will of course have to be received but, the lists having been closed, they need not be accepted and the cheques accompanying them should not be cleared. The best plan is to supply the bankers with a specially printed form of circular letter (form 17) with which they can return all applications and cheques received too late for acceptance. Applications received by country branches before the closing of the lists will of course in many cases not arrive in London until the following day and it is usual to publish a notice in the press that country applications received by the first post on the day after the closing of the lists will be accepted, which necessitates holding up the settlement of the basis of allotment until all such applications have come to hand.

*Under-subscription.* Where it becomes evident that the issue is not going well, and that there is likelihood of the under-writers having to be called upon, it may be a very difficult matter to decide exactly when to close the lists. On the one hand if the lists are kept open for the full period mentioned in the prospectus there may be a chance of further applications

being received, but there is also a longer period before posting the letters of allotment during which nervous applicants and especially "stags," on hearing rumours that the issue is not being rushed after and fearing that their shares will go to a discount when market dealings commence, may withdraw their applications. On the other hand by prematurely closing the lists all chance of further applications is lost, while not only does the risk of withdrawals still remain until the complete allotment is made and the letters of allotment are posted, including such proportion as has to be allotted to the underwriters, but any heavy withdrawals which may be received after the preparation of the underwriters' letters of allotment has been commenced may have the effect of upsetting the proportion and so necessitate fresh calculations and further delay. It may be possible, however, to adjust late withdrawals by increasing the allotment to some person or persons interested in or responsible for the issue. The listing of underwriters' applications is referred to on page 37.

#### WITHDRAWALS.

When a letter or telegram is received notifying an applicant's wish to withdraw his application it is necessary at once to turn up his application form and remove it from the file and also to trace and cancel the corresponding entry on the application and allotment sheets. In the absence of alphabetical indexing or sorting, or sorting under units, this may present some difficulty but it is essential that it be done. The application form should be cancelled with a rubber cancelling stamp and filed on a special "withdrawals" file and the particulars should be entered on a special summary sheet in order to obtain a total for deduction from the total of the application and allotment sheet summary and from the adding-machine lists. The withdrawal of a particular application should be noted on the label attached to the file from which it is withdrawn.

#### BASIS OF ALLOTMENT.

When the lists have been closed and the last applications have been received the application and allotment sheets should be completed, checked and summarised as quickly as possible and the totals agreed with the sorting room summary and with the separate summary obtained by means of the adding-machine.

A new and special summary of applications must then be prepared, showing in concise form the number of applications received for each unit or denomination and the total number of shares applied for, specially marked applications being separately noted. By means of this summary of applications the basis of allotment will be settled.

*Under-subscription.* Where the issue is not fully subscribed it will merely be necessary to calculate the percentage to be taken by the underwriters and to proceed at once with the listing of their allotments accordingly.

If there is thought beforehand to be any likelihood of the issue not being fully subscribed it will be as well to list the underwriters' applications on application and allotment sheets of the same type as those used for the public applications but specially numbered and kept quite separate from the ordinary public sheets. Then, if the underwriters do have to be called upon, this preliminary listing will save time as it will only be necessary to complete the sheets with the appropriate proportions and fill in the amounts payable on allotment, etc., in similar manner to the sheets recording applications from the public.

It should be noted here that in allotting to underwriters the due proportion of shares not applied for, care will have to be exercised in order to carry out correctly the terms of the underwriting letter or agreement in cases where any particular underwriter has expressed a wish to take part or the whole of his underwriting "firm." The method to be adopted in such cases is explained in the preceding chapter (see page 36.)

*Over-subscription.* Where the issue is heavily over-subscribed the basis of allotment will depend upon various factors, such as the number and size of applications specially marked for preferential treatment, the policy favoured by the board of the issuing company in regard to the treatment of small applications, etc. This may involve firstly a tentative calculation, on the basis of allotting the specially marked applications in full or on some suggested percentage basis, so as to ascertain what total is thus allocated and what remains for the public. This tentative calculation may require several variations before a satisfactory figure is arrived at and then the public allotments may be made on some sliding scale of percentages; (e.g., all applications for 100 or less in full; those from 100 to 500, 50 per cent.; those from 500 to 1000, 25 per

cent. etc., etc.). Alternatively the matter may be settled by drawing lots in some form or other. Whatever method is adopted it is advisable to give some indication to the press, when announcing that letters of allotment and regret have been posted. (See page 51.)

One matter which may present considerable difficulty when the settlement of the basis of allotment is under consideration is the avoidance, so far as possible, of excessive allotments on "staggering" applications. It is doubtful whether any system has ever been devised, or is ever likely to be devised, which will defeat scientific "staggering" operations; but where a complete system of alphabetical sorting of applications can be arranged it should be possible to identify the simple-minded "stag" who is content to put in several applications in one name. Simultaneous sorting under brokers, also, will sometimes bring to light cases of "staggering" by brokers' clerks.

It would hardly seem necessary to emphasise that, when an issue is over-subscribed and applicants are to receive only a percentage of their application, it is advisable for the sake of simplicity and speed to keep the proportions in round figures. Yet this rather obvious point is not always remembered. During the rubber boom of 1910 a certain company, newly formed to acquire and develop a valuable rubber plantation, made a public issue of capital in the then fashionable form of 2s. shares. The issue was heavily over-subscribed and the secretaries of the company, who were carrying out the routine of the issue in their own office with the aid of a temporary staff, endeavoured to make the allotments on an exact percentage basis, an applicant for 1,000 shares, for instance, receiving an allotment of (say) 333 shares. With 51 shares such a system might be expected to give rise to errors in calculating the figures for insertion in the application and allotment sheets, and later also in the letters of allotment, but with the small amounts resulting from the calculation of instalments on 2s. shares it was inevitable. By the time the completion of the application and allotment sheets was well in hand it was realised that errors were being made and that the state of the issue was in danger of becoming chaotic.

Something had to be done. The company's auditors were called in at about 6 o'clock in the evening of the day on which letters of allotment and regret were to have been posted. They found the secretaries' staff, permanent and temporary,

standing about not knowing what to do and the manager rather ruffled but still appearing to be somewhat resentful at the calling in of professional assistance. After a little consideration it was agreed that the only thing to do was to make a fresh start and allot on a basis of round figures, which would materially assist the calculations.

The greater part of the figures already entered on the application and allotment sheets had to be altered and the altered figures had to be checked before the letters of allotment and regret could be prepared. However, the work went on all through the night and the last vision of the manager was of a distinctly subdued figure with tousled hair seated at an early hour the following morning upon a high office stool sorting envelopes containing the letters of allotment and regret into baskets for the post.

#### COMPLETION OF LISTING.

As soon as the basis of allotment is definitely settled it becomes necessary to complete the application and allotment sheets by filling in against each application the number of shares allotted, the total money due thereon on application and allotment, and the balance still due over and above the deposit already paid, or alternatively the excess returnable; also the amounts of any further instalments due at later dates.

If the terms of the prospectus provide for the payment of future instalments in advance under discount or at interest it may be necessary, where an applicant has over-paid on application and allotment, to carry his surplus over to the future instalments; in which case the appropriate figures will have to be indicated on the sheet.

The completion of the application and allotment sheets by the insertion of these various figures will of course again be materially simplified where the applications have been sorted under units before listing as, in the absence of any particular applicant receiving or requiring special treatment, all the figures on each sheet will be precisely the same for each applicant on that sheet and need only be inserted once, the totals being obtained by multiplication. (See page 64).

Where it is necessary to enter all the figures in detail, the work may be materially simplified by means of a series of rubber stamps for use in inserting those figures which are of most common occurrence.

Each sheet should be carefully checked as soon as it is completed and should be signed by all concerned. When all the sheets have been completed the totals should be summarised and agreed.

The total number of shares allotted should agree with the total of the issue and any difference should immediately be looked into as it is of great importance to avoid the issue of letters of allotment for a total number of shares in excess of that actually issued. A shortage is of less importance as, in the event of its being proved to be an actual shortage and not merely a clerical error, arrangements can usually be made for the odd shares to be taken up by someone connected with the issue.

The total cash shown as having been paid on application should agree with the total actually banked, as shown by the bank lists or subsidiary cash book. The totals of the columns respectively recording the amounts paid on application and due on allotment and on future instalments—when taken together—less the total of the column recording amounts returnable to applicants who have overpaid—should equal the total money-value of the issue, i.e. the total number of shares issued calculated at the issue price.

When all these totals have been agreed the application and allotment sheets should again be distributed amongst the staff for the purpose of preparing the letters of allotment and regret.

#### AUTHORITY FOR ALLOTMENT.

On completion of the application and allotment sheets with full particulars of the allotments to be made, a final summary should be prepared, showing the number of allotments of each unit or denomination and the total number of shares or amount of stock allotted, which should of course agree with the total issue. The allotments should be formally authorised by a resolution of the board of the company making the issue. The application and allotment sheets should be signed by the chairman or by a committee of directors or some other person(s) to whom this duty may be delegated by the board.

If preferred, the summary of allotments can be signed and referred to in the minutes as authority for the general basis upon which the allotment has been made. This summary of allotments will be useful, also, as a means of estimating quantities where bearer scrip certificates in certain denominations are to be printed.

**LETTERS OF ALLOTMENT AND REGRET.**

It is important to bear in mind, when commencing the preparation of letters of allotment and regret, that the rules and regulations of the London Stock Exchange require the parties responsible for the issue to post all letters of allotment (and if possible all letters of regret) simultaneously and also to publish a notice that this has been done in the press on the morning following the date of such posting. If it is not possible to issue the letters of regret at the same time as the letters of allotment the notice in the press must contain a statement to that effect.

The purpose of this rule is to ensure so far as possible that all allottees receive equal treatment and that no one has cause for complaint of unfair preference having been accorded to others; also that those applicants who receive no allotment shall not be kept in ignorance of their position and of the result of their application.

**LETTERS OF ALLOTMENT.**

The design and wording of the letters of allotment to be used on a public issue should receive the greatest care and attention, so as to ensure not only that they fulfil all legal requirements and conform with the terms of the prospectus and with the rules and regulations of the Stock Exchange, but also that they are so framed as to facilitate the practical handling of the detail work involved in the issue both before and after allotment.

As previously mentioned, the responsibility for drawing up the form of letter of allotment to be used should be entrusted to the person in charge of the routine work, but the form when drafted should be approved by the solicitors for the issue and also by the Share and Loan Department of the Stock Exchange.

Whether separate forms are adopted for use respectively in cases where an allottee has a further sum to pay on allotment and where there is an excess to return to him (see forms 12 and 13), or whether one form is designed to meet both cases (form 14) is entirely a matter of choice. Some may prefer the former method as in that case there is less detail to be thought about in filling in the body of the form, while the cheque required in the case of a repayment can be printed at the foot of the form with a perforated line for easy detachment

by the allottee. On the other hand some may consider it simpler to have one composite form and so avoid the necessity of selecting the correct type of form for use with each individual allotment. In this case where repayment is necessary it must be made by means of an ordinary cheque enclosed with the letter of allotment.

An additional precaution which must be taken, where the principle is adopted of having a special cheque form printed at the foot of the letter of allotment, is to submit a proof in advance to the bankers for the issue, so as to ensure that the cheque form meets with their requirements. A specimen print of each type of letter of allotment should in any event be supplied to the bankers for their guidance.

It is advisable, in order to facilitate the rapid handling of the detail of allotment, that a resolution be passed by the board of the issuing company authorising the bankers to honour cheques on the new issue account (referred to in Chapter IX) when signed or countersigned by one or more of those in charge of the routine. This will avoid the necessity of troubling the directors to sign all the cheques in repayment of amounts over-paid; and—*later*—in repayment of application money on cancelled applications, etc.

The precise method of preparing the letters of allotment will vary according to the system adopted by those in charge of the issue. In this chapter it is assumed that all applications are listed on the usual type of application and allotment sheets which, when completed as described above, will provide the necessary details for insertion in the letters of allotment.

The blank letters of allotment should be kept in a safe or strong-room until required. When removed therefrom they should be in the constant care of some person in authority and should only be issued to the staff in exact quantities according to their known requirements, so that all may be duly accounted for. In some ways it is a convenience and safeguard to have the forms numbered consecutively by the printers, with a certain quantity unnumbered for use in case some of the numbered ones are spoilt. In other ways it may be thought more convenient to fill in the individual consecutive numbers by hand, but it is important in such event to remember that the number must be entered, not only on the main part of the letter of allotment, but also on all perforated slips which are attached thereto.

If the listing has been done indiscriminately or alphabetically the best plan to adopt will probably be simply to distribute the sheets amongst the staff, each sheet being accompanied by the appropriate number of letters of allotment, i.e., one for each applicant on the sheet to whom an allotment is made. In this case, where the letters of allotment have been numbered consecutively by the printers the managing clerk in charge will have to select the appropriately numbered forms for each application and allotment sheet, when distributing them amongst the staff for preparation, so that each letter of allotment may bear the same consecutive number as the application to which it refers.

This principle of giving to each allotment the same number as the corresponding application is of very great assistance in simplifying the work. It has the effect, where certain applicants receive no allotment, of causing gaps in the sequence of allotment numbers, but that is a matter of no importance, while adherence to the same number throughout very materially facilitates subsequent tracing.

It may happen that a particular application and allotment sheet contains more than one application and allotment for the same person. In such a case the managing clerk in charge can, if thought fit, issue one letter of allotment only for such allottee with instructions that his allotments are to be grouped and entered on the same form; the form being marked with all the appropriate consecutive numbers, of course, instead of one only. An objection to this plan is that the allottee may wish to have his allotments separately and will therefore require them to be split subsequently, which means more work for the issuing staff.

The information to be entered in the letters of allotment, from the application and allotment sheets, will usually include the following:—

1. Consecutive number.
2. Number of shares allotted.
3. Amount payable on application and allotment.
4. Amount paid on application.
5. Balance still to be paid, or
6. Balance to be refunded.
7. Further instalment(s) payable.
8. Name and address of allottee.

9. Amounts respectively payable, on each detachable bankers' receipt, and/or
10. Amount repayable, on the cheque form.

In a large issue there will almost inevitably be a considerable number of allotments of each of the most common units, e.g., 50, 100, 500 or 1,000 shares, and with each of these units the details to be entered under items 2 to 7, 9 and 10 above will—in the absence of special circumstances—be exactly the same for every allotment of that unit. It follows that an immense amount of detail work will be avoided and time saved if in such cases the details can be inserted by the printers, leaving only the name and address of the allottee—and the allotment number if not already printed—to be filled in by the staff.

In order to do this it is necessary, as soon as the basis of allotment has been settled, to prepare from the summary of applications (see page 47) an estimate of the number of allotments of each of the most common units. The necessary details, as indicated above, should then be inserted in specimen letters of allotment and forwarded to the printers with instructions to print in the details as shown by the specimen on the appropriate number of letters of allotment for each unit. This should be done immediately the basis of allotment is settled, so that by the time the insertion of the details in the application and allotment sheets is completed the over-printed letters of allotment may be expected back from the printers ready for use.

Where this principle is adopted but the listing has been done indiscriminately or alphabetically it will of course be necessary, when distributing the sheets and letters of allotment for completion, to be careful to select the appropriate forms in accordance with the allotments on each particular sheet, blank forms being supplied for such allotments as have no over-printed forms. But if, before listing, the applications have been sorted under units, as suggested on page 41, the work will be very much simpler as each sheet of the most common units will merely need to be accompanied by an equivalent batch of over-printed forms.

The use of an addressing machine for the insertion of the names and addresses of allottees is not dealt with here as this is explained in detail in a later chapter in a general discussion of the use of office machinery and appliances in public issue work.

As soon as the letters of allotment relating to each application and allotment sheet have been completed they should be passed

forward with the sheet for checking, the sheet being signed in the appropriate spaces by those responsible for each part of the work. They should then be initialled or marked with a small rubber stamp as having been checked, folded and inserted in window envelopes.

Letters of allotment made out in the name of a firm should be accompanied by a special notice (form 16) requesting the names of individuals in whose names the shares may be registered as it is not permissible to register a firm as such (see page 118).

When all are completed and ready for the post it is advisable, as an additional check, to compare the envelopes with the sheets and to agree the total number of envelopes with the total number shown by the summary of allotments. At the same time a final indication of the authenticity of each letter of allotment can—if thought fit by those in charge—be supplied by passing each envelope through a stamping press and so stamping an embossed impression of some special design through envelope and contents.

The envelopes should then be sorted into town and country in readiness to be posted as soon as all letters of regret are similarly ready.

It should be noted here that it is advisable to warn the postal authorities in advance, so that when the time comes for handling the letters of allotment and regret they may be ready to deal with a large addition to the ordinary evening mail. Special sorting mail bags can also be obtained, thereby further facilitating the work at the post office.

#### LETTERS OF ACCEPTANCE.

Where in lieu of a prospectus offering shares for subscription the issue takes the form of an "offer for sale," the document sent to each applicant, as a notification of the acceptance of his application, will not be a "letter of allotment" but a "letter of acceptance." The distinction arises from the fact that with an "offer for sale" the shares have, as a general rule, already been allotted to the persons making the "offer" and therefore cannot be made the subject of a fresh allotment. (See form 15.)

It should be noted, however, that in some cases the persons responsible for the "offer for sale" arrange with the company whose shares are being offered to postpone the actual allotment until after the issue of the prospectus or "particulars" and

the receipt of applications from the public. When this is done the prospectus (or "particulars") will contain a statement that the vendors or promoters undertake to procure the direct allotment of shares by the company to the public applicants.

As a matter of routine the method of preparing letters of acceptance is exactly the same as that described above in respect of letters of allotment.

#### LETTERS OF REGRET.

Whether the issue takes the form of a prospectus or an offer for sale it is necessary for those in charge of the routine work to provide for the contingency of over-subscription and of certain applicants receiving no allotment or acceptance in response to their application. This necessitates a letter of regret with which the amount paid on application may be returned.

One form of letter of regret has already been described (see page 45) for use by the bankers in returning applications received after the closing of the lists. In the appendix (form 18) will be found a specimen form for use by the company or issuing house. This form is designed for use in the case of an applicant whose cheque for the application money has been cleared and who—on receiving no allotment—is entitled to repayment.

The specimen form given provides a special cheque form attached at the foot of the letter of regret and detachable therefrom. This is not essential but is a neater and simpler method than having to prepare an ordinary cheque for enclosure. The cheque form should of course be approved by the bankers before being printed.

The most satisfactory method of preparing letters of regret from the application and allotment sheets is to entrust the work to a special clerk or group of clerks to whom should be passed all application and allotment sheets which include applicants who receive no allotment, after they have been checked with the letters of allotment.

The particulars required to be inserted are merely the application number, the name and address of the applicant and the name and amount on the cheque form, which should be signed—after having been checked—by those authorised to operate the new issue account.

After having been checked and signed, the letters of regret should be inserted in window envelopes, re-checked and then sorted for the post in similar manner to that described above in respect of letters of allotment.

#### RENUNCIATION.

So far no reference has been made to the "form of renunciation" printed on the back of each of the various specimen letters of allotment reproduced in the appendix.

The principle of renunciation of an allotment was formerly adopted solely in connection with offers of additional or new shares in a company to the holders of shares already issued, referred to later under the heading "letters of rights" (see page 59). Its later application to an ordinary allotment on a new issue to the public, designed in the first instance to meet a special case, was welcomed by the Stock Exchange and eventually became the general custom with all new issues.

The effect is to enable the shares or stock issued to be passed from hand to hand without the usual method or form of transfer, thereby facilitating dealings on the Stock Exchange immediately after the allotment is made and so stimulating general interest in the shares. Another effect is to deprive the Inland Revenue for a time of the usual stamp duty on the transfer of the shares.

The usual practice is for a statement to be included in the letter of allotment to the effect that the shares may be renounced within a specified period, generally a month, or possibly the duration of two or three Stock Exchange "accounts," which should allow adequate time for preliminary dealings and also for the preparation of the definitive share certificates. The Stock Exchange regulations stipulate that the period of renunciation for fully-paid shares must not exceed six weeks and for partly-paid shares one month from the date of the final call. After the expiration of the specified period all shares not renounced are entered in the share register in the names of the original allottees, and share certificates also are made out in the names of such allottees; but in cases where shares have been renounced the original allottee must not appear in the share register. The register entries and share certificates must be made out in the names of the persons acquiring the shares by renunciation. This is important, as otherwise, under the

Companies Act, 1929, the renunciations might be held to be illegal.

In the preceding paragraph reference is made—for the sake of brevity—to *shares* being renounced. Actually, of course, it is the allotment which is renounced and the method is for the original allottee to sign the form of renunciation printed on the back of the letter of allotment. The signature must be across a sixpenny stamp (or a penny stamp if the value of the shares renounced is under £5). The name, address and occupation of the "renouncee" (in the "registration application form") cannot be filled in by the original allottee as they will not be known to him; in addition to which the "renouncee" may in turn wish to sell and pass on the renounced letter of allotment to a subsequent purchaser.

When the date of expiry of the right of renunciation approaches, the person in whose name the shares are to be registered must fill in his name, address and title or occupation in the form of acceptance or "registration application form," which appears on the back of the letter of allotment in addition to the form of renunciation, and this form must be signed by him. The letter of allotment, duly completed, must then be lodged at the office of the company or issuing house. If not so lodged within the prescribed period the renounced shares can only be conveyed by the usual form of transfer (see page 87), thus involving the purchaser in the cost of ad valorem stamp duty and registration fee.

The routine work of dealing with renunciations in the office of the company making the issue, or of the issuing house or firm in charge of the work, is described in Chapters VI and VII, and some notes on the legal aspect of renunciation are included in Chapter XI.

It may be noted here that where a return of allotments made on a public issue has, under the Companies Act, to be filed at Somerset House, it should contain only the names of the original allottees and not the names of any parties in whose favour shares may have been renounced. It follows that the first return of allotments will not agree with the first entries in the share register; but the inconsistency is apparent rather than real, as the law distinguishes between "allotting" shares and "issuing" them, the act of issuing being incomplete until the shares are entered under the holder's name in the share register.

This distinction, between an allotment of shares and an issue of shares, is of particular importance in cases where a reconstruction under section 234 of the Companies Act, 1929, is being considered, in which it is desired to take advantage of section 55 of the Finance Act, 1927, as amended by section 31 of the Finance Act, 1928, and section 41 of the Finance Act, 1930; as, if letters of renunciation are used, it may be impossible to prove that the scheme as carried out has complied with the section.

#### LETTERS OF RIGHTS; PROVISIONAL ALLOTMENT LETTERS.

Although not exactly of the nature of a "public" issue, within the meaning of the title of this book, it may be useful to include here some notes on the routine involved when a company desirous of raising additional capital offers to its members, or to some particular class of member such as the holders of ordinary shares or of preference shares, the right to subscribe for new shares in some specified proportion.

In such a case the terms of the offer are usually such as to include a bonus, in the sense that the shares are to be issued at a price below that at which the existing shares are quoted on the Stock Exchange. It follows that the right to subscribe is of value to the recipient of the offer and such value is marketable in that any member who does not wish to take up his proportion of the new shares can sell his "rights" on the market, the buyer subsequently applying for the new shares in his place.

In order to facilitate this sale of rights it is usual for the offer to be made to the members of the company by means of a special type of circular letter, which may either be accompanied by or itself take the form of a "letter of rights" (form 19) or a "provisional allotment letter" (form 20), either form having on the back a form of renunciation, similar to that adopted in the case of an ordinary letter of allotment as previously explained, and also a form of acceptance which must be filled in and signed by the person in whose name the shares are to be registered.

The effect of this transaction is the exact converse of an ordinary application and allotment, as in this case the letter of rights (or provisional allotment letter) conveys the offer and the contract is completed by the signature of the form of application (or acceptance), either by the original recipient or

by someone to whom he has renounced his rights. It is an essential condition of an offer in this form that its acceptance be signified, by the lodgment of the provisional allotment letter with a remittance of the amount payable, *on or before a specified date* after which the rights of the allottee or his nominee (renouncee) lapse.

The routine work of preparing these "letters of rights" or "provisional allotment letters" and despatching them to members, probably under cover of an explanatory circular letter, is very similar to the work of allotment on a public issue; the only material difference being that it is usually done by the company's own staff, the assistance of a bank or issuing house or of a professional firm being unnecessary, and the question of settling the basis of allotment does not arise.

All that is usually necessary is for a special list to be prepared from the company's register, giving the names and addresses of the members to whom the offer is to be made, the number of shares held by each, the number of shares for which each is entitled to subscribe and the amount payable. The names should be numbered consecutively and the letters of rights should be numbered to correspond with the list.

In the case of a very large issue of this type, a considerable amount of routine work may be eliminated by the use of a special form of allotment letter, with the form of acceptance and renunciation printed on a detachable perforated sheet instead of on the back in the usual way (see form 21); and by the preparation, in advance of the issue, of special share register sheets instead of the usual lists. These special register sheets should be printed in a distinctive colour, or on distinctively coloured paper, to facilitate identification later when they are combined with and inserted in the principal register.

The form of allotment letter here suggested (form 21) is intended to be lodged with the bankers intact, within the period specified, together with the required remittance. The bankers, on being satisfied that all is in order and that the acceptance is properly completed, detach the form of acceptance and forward it to the company's office, thereby notifying the company of the acceptance of the shares, either by the original allottee or by his nominee who has acquired them by renunciation. The allotment letter, duly receipted, is returned by the bankers to the person (or bankers) by whom it was lodged.

If, instead of preparing a list of shareholders to whom the offer is to be made, special register sheets are prepared (one for each shareholder) as suggested above, such sheets will in the first instance merely contain the name and address of the shareholder and his index number for purposes of reference. The remainder of the required information, as to number of shares accepted, etc., will be inserted on the receipt of the acceptance form, and where shares are found to have been renounced the name and address of the new shareholder (i.e. the renouncee or acceptor) will be substituted. Splits are dealt with on this system by the preparation of several separate register sheets in place of the one first prepared.

Apart from the special system referred to in the preceding paragraph the routine work of handling renunciations is exactly similar to that involved in the case of an ordinary public issue, described herein. (See page 74.)

When preparing a return of allotments in a case of this sort, as the document which contains the form of renunciation is a "provisional" allotment letter, the first actual allotment is to the person acquiring the shares by renunciation (the "renouncee"); and it is his name, therefore, which should be entered in the return as well as in the register, in contradistinction from the case of an ordinary allotment referred to on page 58.

Where a member's exact proportion involves a fraction of a share, as is frequently the case, a very common plan is for the company to undertake to arrange on behalf of each member either the sale of the fraction or the purchase of other fractions sufficient to make a whole share at the current market price. In such a case the member is required to notify the company, when applying for his proportion, which alternative he wishes to adopt.

Another plan is for the company to reserve the right, when making the offer, to pay for fractions in cash, thus reducing the total amount of new capital to be issued but avoiding the complication of fractions and the necessity for their sale or purchase.

Several other methods may be devised for dealing with fractions, but in all cases, of course, the proposed method must be carefully explained in the letter of rights or provisional allotment letter.

## CHAPTER V

### PUBLIC ISSUE ROUTINE WITHOUT THE USE OF APPLICATION AND ALLOTMENT SHEETS

THE foregoing chapter contains a description of the work, up to the posting of letters of allotment and regret, involved in handling a public issue on the usual system of listing applications on special application and allotment sheets. It is now proposed to describe an alternative system in which the usual listing of applications is omitted.

The following notes describe the application of the modern visible card index system to the routine of a public issue. They are largely reproduced, by kind permission of the publishers, Messrs. Gee & Co. (Publishers), Ltd., from the author's pamphlet on "Some new ideas on public issue allotment work."

The system is designed to eliminate some of the detail work involved in handling applications received; to facilitate the tracing of applications withdrawn or cancelled, queries and "stags"; to save time in making the allotment; and also to simplify the routine work which follows the actual allotment, such as dealing with splits and renunciations, preparing and issuing share certificates, etc. This latter part of the work is dealt with in Chapter VII, the present chapter being confined to a description of the system as it applies to the work of the actual issue up to the posting of the letters of allotment and regret.

It may be mentioned here that this system is not merely theoretical. It has been tried and proved in practice in the case of an issue of £400,000 of debenture stock which was heavily over-subscribed. It is equally applicable to a share issue.

The routine as here described assumes that the terms of the issue provide for the lodgment of all applications with the bankers to the issue and that the bankers, having detached the cheques in payment of the application money and made such entries as they need for recording the amounts received, pass the applications on to the officers of the company or promoting syndicate responsible for the issue, together with

rough lists giving the amounts received and the names or numbers of the applications.

In recommending the adoption of the visible card index system it is suggested that the practice of listing all applications on the usual type of application and allotment sheet, while involving a great deal of work, does not serve any really useful purpose, and that in place of the staff usually engaged on this work a staff of typists should be employed in preparing from the applications specially designed cards. The time taken in preparing the cards should not exceed that involved in the usual listing, while the advantages of properly designed and arranged cards over the usual lists are very great.

The disadvantages of the usual system may be summarised as follows:—

- (1) Under the usual system of listing, as previously mentioned, the applications may be listed either (a) indiscriminately, (b) alphabetically, (c) after sorting under the names of introducing brokers, etc., or (d) after sorting under units.
  - (a) It is difficult to find any advantage in listing indiscriminately.
  - (b) Listing alphabetically is partially sound in theory but not in practice, in that it is impossible literally to keep such sorting continuous and complete throughout the progress of the issue and the alphabetical arrangement is, to a large extent, lost. Also, this method of listing does not lend itself to the provision of a ready analysis of the applications under units such as is essential for the settlement of the basis of allotment.
  - (c) Listing after sorting under brokers has something to be said for it, but it has the same disadvantage as (b), in that it does not facilitate the settlement of the basis of allotment.
  - (d) Listing after sorting under units is the best if listing is to be adopted, but here reference may be made to the amount of superfluous work involved in listing at all.
- (2) In order to maintain a running total of the applications received, the ideal system is to sort the actual applications, immediately they have been received from the bankers for the issue and checked with the bank lists, under units or denominations (as described on page 41), any special ones requiring preferential treatment being kept separate from the ordinary public applications.

For listing purposes, the best plan is to have the application and allotment sheets designed to take 25 applications each, and it follows that a particular sheet may contain 25 applications for (say) 100 shares, the ultimate detailed figures for each of which (i.e. number of shares allotted, amount payable on allotment, etc.) will—except in special cases—be precisely the same for each entry.

## THE ROUTINE OF A PUBLIC ISSUE

This being so, it is difficult to see what practical advantage is derived from the insertion 25 times of the same set of figures with the corresponding totals at the foot of the sheet! A simple calculation on the summary of allotments would produce the same result. (See also pages 44 and 49).

(3) If it be conceded that for agreeing the totals of applications, cash instalments, etc., the usual lists are unnecessary, the only remaining uses for them are the provision of information for the share register, which can be equally well obtained from the suggested card system, and the provision of a list of allottees which the chairman of the company or other responsible person may sign as evidence that the allotment is officially authorised.

This latter advantage is largely illusory, however, as in practice the chairman and directors cannot possibly be expected to examine every name (when the applicants may be numbered in thousands) and as, even when the basis of allotment is settled, it is usually necessary for those in charge of the detail of the issue to spend possibly several hours in working out the actual detail of the allotment. In such circumstances, the chairman may be and often is called upon to sign sheets which he has hardly looked at and which may even be in blank!

It is suggested that his signature would be just as valuable on a summary of allotments containing no names at all but indicating the general principle adopted in settling the basis of allotment.

The formal board minute, recording the resolution to allot, might then read as follows:—

The summary of applications received in respect of the company's offer for public subscription of shares of each at per share having been considered

**IT WAS RESOLVED**

That in response to such applications shares of each in the company be allotted on the following basis:—

On all applications for:—

from shares to shares inclusive, shares each.

more than shares "

To the applicants whose names appear on the special list (a) signed by the chairman, in the proportions indicated thereon, shares.

*Total,* \_\_\_\_\_ shares.

**NOTE.—(a)** This list would merely contain those applicants who for any special reason are entitled to preferential or special treatment.

(4) Withdrawals are exceedingly difficult to trace on the lists unless the alphabetical system is adopted and *rigidly adhered to*, which as mentioned above [1(b)] is usually impossible, or unless a separate alphabetical index is prepared (see page 44).

The revised system of handling applications is described in detail later. It may first be summarised, with its advantages, as follows:—

- (1) The applications, when received and checked with the bank lists, should be sorted under units, as suggested above, but instead of being listed they should be passed forward in batches of similar units to a staff of typists who would prepare specially designed cards (one for each application).

Two alternative types of card are reproduced in the appendix, one (form 22) showing the ruling appropriate to an issue of shares and the other (form 23) being applicable to an issue of stock where distinctive numbers are not required. This latter card can be of smaller size than the former if more convenient or desirable. The larger (share-issue) card can also be used in the case of an issue of two classes of share by dividing the centre space into two sections by means of a horizontal line.

Form 24 shows the adaptation of the back of the card for the purpose of recording specimen signature, dividend instructions, registration of documents such as probates, etc. In an efficiently designed visible card index the back of the card can readily be inspected without removing the card from its place in the cabinet. As regards the specimen signature, it is obviously out of the question that the actual card should be forwarded to the shareholder to sign, and it is suggested that a special signature form be adopted with adhesive gum on the back so that when signed it can be affixed to the back of the card in the appropriate space.

The cards should be supplied by the printers in duplicate with carbon-paper interleaved, the two being joined by means of a perforated strip at the bottom.

Where preferential treatment is to be accorded to a particular class of applicants to whom specially coloured application forms are issued, cards similarly coloured should also be supplied for use in recording such applications. It is a convenience also to have cards of different colours for use in recording "firm" applications from underwriters and ordinary applications from underwriters respectively.

After being checked, the cards should be separated, by detaching the perforated strip, and the top cards should be sorted alphabetically and inserted in the visible card index cabinets. The duplicate cards should be sorted under the introducing brokers; and each broker's set may, with advantage, be sub-sorted alphabetically.

- (2) By means of the sorting of applications under units, a running total and analysis may be prepared for purposes of interim information and for the subsequent settlement of the basis of allotment.

By means of the alphabetical sorting of cards into the visible card-index cabinets, with names appearing on the visible edges of the cards, any applicant may readily be traced at any time, while, by inserting a coloured "signal" on each card in cases where more than one application is received from the same applicant, "stags" can be identified at a glance.

By means of the separate sorting of duplicate cards under brokers any query arising from or in connection with a particular firm of brokers can readily be traced and the subsequent preparation of brokerage lists is very materially simplified and expedited.

The total amount applied for can also be quickly verified by totalling up the figures appearing on the visible edges of the cards in the cabinets.

- (3) When the basis of allotment is settled, the insertion of the amount allotted on each card and the removal of all cards receiving no allotment will provide a complete card register to the allotment, and all requisite information and machinery will immediately be in readiness for dealing with splits and renunciations following the allotment.
- (4) This card register may equally, if desired, form the actual permanent share register itself. It is true that the Companies Act, 1929, does not expressly legalise a card register, but neither does it (except possibly by implication) make such a register illegal. The Act requires the register to be kept in "one or more books" (which raises the question "what is a book?") and also requires all companies having more than fifty members either to keep their register in alphabetical order or to keep a separate index. This seems an unnecessary duplication of work, and it is suggested that, with the possible exception of very large companies, the solution of the problem is a properly designed visible card index register in fireproof cabinets, such as are now supplied in various designs by different makers. With adequate safeguards as to security, it is difficult to see any insuperable objection to such a register, and it may be noted here that share registers constructed on the visible index system are actually in use. (See also page 81.)

The foregoing notes are intended merely to summarise the principal points of advantage to be derived from the suggested system of utilising applications received on a public issue for the direct preparation of card index registers, instead of writing up the usual cumbersome lists.

The routine to be adopted in connection with the suggested system is set out in more detail in the following instructions:—

#### I. RECEPTION OFFICE.

Applications should be collected from the issuing bank at intervals and checked with the lists furnished by the bank, such lists being filed so as to form a consecutive record of the cash received.

In the case of applications received on newspaper forms or on ordinary letter paper, the application should be pasted to a spare official application form and the particulars on the official form should be completed as far as possible from the information available on the actual application.

After the application forms have been examined—as indicated above—and scrutinised for any omissions, they should be listed on an adding-machine, specially marked applications being listed separately.

They should then be passed forward to the sorting room.

## 2. SORTING Room.

The sorting is the most important part of the work in the first stages as on it depends the rapid settlement of the basis of allotment.

On receipt of the application forms from the reception office, they should be sorted under units or denominations (specially marked applications being sorted separately) *and a tally or summary of the applications under units should be kept constantly up to date and checked frequently by reference to the adding-machine lists or bank lists in the reception office.*

The application forms, when sorted, should be numbered consecutively and should then be passed forward in batches of 25, 50 or 100 to the typists' room.

## 3. TYPISTS' Room.

On receipt of the application forms from the sorting room, the particulars of each applicant should be entered on the special duplicate cards described above.

A separate card should be prepared for each application, the particulars to be typed being:—In body of card, name, address and occupation of applicant and name of broker; in instalments due section, amount paid on application; on visible edge, number of application, surname, title and christian name or initials and amount applied for. Each card used should be of the same colour as the application form from which it is copied, except in the case of underwriters' applications, when specially coloured cards should be used.

The typewriting on the visible edge should be placed *as near to the perforated edge as possible*; and the surname should always be placed first, the rest of the name being in correct order for addressing purposes. Christian names should be put in full in all cases where there is sufficient room. The amount applied for should be typed as near as possible to the right-hand side of the space provided, so as to allow for big figures and in order to facilitate correct alignment when the cards are inserted in the cabinet.

*The perforated edge should not be torn off; this will be done after the cards have been checked.*

In any case where an application is marked for special attention, or where an applicant has not paid the correct amount due on application in respect of the shares applied for, the special marking should be indicated (by a red cross) and/or the amount actually paid should be entered on the card in the special spaces provided. A special "signal" should also be inserted (when in the cabinet) to draw attention to such specially marked cards.

- The cards, when typed, should be checked and then separated by tearing off the detachable strip, the top cards being sorted alphabetically and inserted in the visible card index cabinet. When placing the cards in the cabinet, care should be taken to see that all are in strict alphabetical order. Where more than one application is received from the same applicant, the cards should be placed in adjoining pockets and the fact indicated by inserting in each a specially coloured signal.

This alphabetical sorting can be done in various ways, but probably the simplest method is first to sort the cards under the letters of the alphabet by means of an "elastic sorter," such as is obtainable from the leading City stationers. Having done this, each letter should be sub-sorted so as to get the cards arranged in strictly correct alphabetical order, as mentioned above. The insertion of cards into the cabinet should not be left until all are ready but should be done periodically and frequently; spaces being left at intervals, especially between each letter of the alphabet, so as to allow for the insertion of further cards from time to time during the progress of the issue.

The duplicate cards should be sorted under the names of the introducing brokers, each broker's set being sub-sorted alphabetically.

The application forms should then be filed numerically in lots of 100 or 200 and the consecutive numbers of the applications, with particulars of the unit or units and the total number of shares applied for, should be marked on the covers of the files or on tickets attached to the lots.

#### 4. WITHDRAWALS.

When a letter or telegram is received notifying an applicant's

wish to withdraw his application, his card (with broker's duplicate) should at once be turned up and removed.

By means of the reference number on the card the actual application should also be found, removed and filed *with the card* on a special "withdrawals" file; the withdrawal being noted on the label attached to the applications file. At the same time, the entry on the sorting room summary should be looked up and cancelled or marked for identification.

The particulars of applications withdrawn should be summarised on a special summary sheet, so as to arrive at the necessary totals (analysed under units) for deduction from the sorting room summary and from the adding-machine lists.

##### 5. BASIS OF ALLOTMENT.

When the list of applications is closed and the basis of allotment has been settled, which will be done by reference to the sorting room summary of applications under units, a new summary should be prepared—showing the number of shares to be allotted to each class of applicant—and agreed with the total issue. This summary of allotments should be signed by the chairman of the company or some other person in authority.

The necessary particulars of the cash due and the balance payable or returnable in each case should then be inserted in specimen letters of allotment and forwarded to the printers with instructions to print in the necessary figures as to the number of shares allotted, total cash due and balance payable or returnable on the appropriate number of letters of allotment for each unit, and also on the bankers' receipts and slips attached thereto; thus reducing the particulars to be written on the letters of allotment to the allotment number and the name and address of the applicant. This, of course, only applies to the most common units. This principle of having detail filled in by the printers can also, if desired, be applied to the cheque forms attached to the letters of regret. (See also page 54).

While the letters of allotment and regret are being completed by the printers, the visible index cards—and also the *duplicate brokers' cards*—should be completed by the insertion (in the space provided) of the number of shares allotted and (in the index cards only) the cash due in each case, any cards receiving no allotment being removed (see page 94 (7)). The work of inserting these figures may be materially simplified by means of

a series of rubber stamps of appropriate size and denoting the figures of most common occurrence.

#### 6. LETTERS OF ALLOTMENT AND REGRET.

The letters of allotment and regret should be returned from the printers in separate parcels, the former being sorted according to their units, and they should then be completed by inserting the number, name and address.

As the letters of allotment are overprinted and sorted in units, the work of completion will probably be most conveniently done by reference to the original applications, which have been similarly sorted as explained in (2). For example, if it be decided to allot to all applicants for 500 shares one fifth of their application—i.e. 100 shares, the clerks preparing the letters of allotment which have been overprinted for 100 shares will take all the applications for 500 shares and go through them filling in the allotment numbers, names and addresses on the letters of allotment. The letters of allotment should be checked with the applications and also by re-summarising and comparison with the sorting room summary. If time permits, they should also be checked with the cards in the cabinet and/or the brokers' cards.

In some cases it may be found possible and preferable first to complete the cabinet, as explained on page 94, and then to prepare the letters of allotment and regret from the remaining and rejected cards respectively.

After the letters of allotment and regret have been checked, they should be inserted in window envelopes, sorted for the post and re-checked by counting and agreement in total with the summary of allotments. (See also pages 55 and 57).

## CHAPTER VI

### ROUTINE WORK SUBSEQUENT TO ALLOTMENT, WHERE APPLICATION AND ALLOTMENT SHEETS ARE USED.

AFTER the letters of allotment and regret have been posted the first essential is to prepare for dealing with splits, consolidations and renunciations, which will begin to come in—with a rush of messengers from stockbrokers, bankers and others—as soon as business commences upon the morning following the completion of the allotment. It is important to note, however, that none of these matters should be dealt with unless all instalments due to the date of lodgment have been paid.

#### SPLITS.

The necessity for splitting arises where an allottee wishes to sell part of the shares allotted to him before the time comes for the surrender of his letter of allotment in exchange for a definitive share certificate, and the practice is designed for the purpose of facilitating delivery on the Stock Exchange, an undertaking to split being one of the requirements of the Committee (see Appendix A). The procedure is simple in origin and consists merely of a request from the allottee or his broker that his letter may be split into several of smaller denominations, the original being received from the allottee by post or brought in to the issuing office by the broker's messenger for the purpose. The request to split is frequently delivered verbally, but it may be thought desirable in some cases to stipulate that the request be made in writing on a special form so as to provide a definite record of the instructions (see form 25).

For example, an allotment of 500 shares may have to be split into five of 100 each. This necessitates the cancellation of the original letter of allotment (by means of a rubber stamp) and the preparation of five new ones in its place. The new letters of allotment should be filled in in similar manner to the original, the various figures and amounts being apportioned in accordance with the instructions for splitting; and either the same consecutive allotment number may be inserted, the

individual forms being distinguished by the addition of letters (a), (b), etc., or a new number may be given to each, as preferred. It is a convenience, in any case, if each one is marked in clear lettering with the word "SPLIT" by means of a rubber stamp, or with the letters "SP" as a prefix to the consecutive number.

It is important to mark the bankers' receipts, and to detach the detachable slips, on the split letters of allotment so as to indicate quite clearly the condition of the shares as regards payment of instalments.

Particulars of the splits, with full details as to instalments already paid, etc., must be entered on special application and allotment sheets (marked "SPLIT" or "SP") and the word "Split" must be inserted against the original allotment on the main sheet.

In addition, there should be attached to each new letter of allotment, issued in respect of a split, a "caution slip" printed on paper of a distinctive colour and reading as follows :—

If this split letter of allotment is to be registered in any other name than that of the original allottee it *must be lodged for registration*, with The \_\_\_\_\_ Co., Ltd., \_\_\_\_\_ London, E.C., *not later than* \_\_\_\_\_ 19\_\_\_\_\_, or the name of the original allottee will be entered in the Company's register.

The period during which allotments may be split should terminate (say) five days before the last day for lodging renunciations (see pages 57 and 74).

When a request for a small split is received and the messenger can be kept waiting the new letters can be handed out in exchange immediately; but when there is a rush of detail work to be attended to or a request is received for a very large split, i.e., one requiring the preparation of a large number of new letters of allotment, it may be necessary to ask the messenger to leave it for a day or two. In such a case he will require a receipt and it is therefore desirable to obtain in advance a supply of "split tickets" (form 26) which can be issued in acknowledgement of the receipt of the cancelled letter of allotment and surrendered later in exchange for the new ones. These tickets are important also as a safeguard against the risk of split letters of allotment being handed to the wrong messenger when they have been left to be called for later. They should be in duplicating form.

These split tickets are amongst the forms which should be submitted for the approval of the Stock Exchange Share and

Loan Department, as mentioned in Chapter III; the reason being that it may be necessary for an allottee, who sells his shares after depositing his letter of allotment for splitting, to deliver his split ticket on the market.

Splitting involves a considerable amount of work on the part of those in charge of the issue and it is a very general practice now to state clearly in the terms of the letters of allotment that they will only be split once and that a fee of (say) 6d. or 1s. will be charged for each split letter of allotment required.

When a letter of allotment is not only split but renounced also, it is necessary to indicate on the backs of the new split letters of allotment the fact that the original has been renounced, as allottees usually object to renouncing split letters over sixpenny stamps when this formality has already been carried out on the original.

Letters of allotment which have been cancelled in respect of splits should be placed on a special file in the order in which they are received.

#### CONSOLIDATIONS.

A "consolidation" is the exact converse of a "split" and occurs when a person receiving several separate letters of allotment, either direct or by the renunciations of other allottees, wishes to have them consolidated into a smaller number or even into a single letter of allotment. Consolidations may have the effect, in some issues, of reducing the number of persons ultimately registered as the holders of the shares or stock issued to about two-thirds of the number of original allottees, notwithstanding the intermediate effect of splits and renunciations. (See also page 30.)

In such a case the procedure is to cancel all the original letters of allotment and to issue in their place the required number of fresh ones, which must necessarily bear new numbers. The new letters of allotment should each be marked with the letter "C" as a prefix to the consecutive number, and the requisite particulars should be entered on a separate sheet or sheets, similarly marked and numbered, under the name of the allottee or "renouncee" by whom they are lodged. At the same time the word "Consolidated" (and the new number) must be inserted against the original allotment on the main sheet or on the separate sheet recording renunciations (q.v.).

Letters of allotment which have been cancelled in respect of consolidations should be placed on a special file in the order in which they are received.

Where a large number of letters of allotment are lodged for consolidation, it may be found advisable to retain them for a few days for examination and to issue in the meantime a modified form of "split ticket" (form 26) or "exchange ticket" (form 28).

Consolidations must be effected by the last day for accepting renunciations (q.v.). If not carried out by that date the usual form of transfer will be necessary to convey that part of the holding which has been acquired by renunciation, thus involving the purchaser in the cost of *ad valorem* stamp duty and registration fee. (See also page 58).

In the appendix (form 27) will be found a form which it may be desirable to adopt in some cases for the purpose of obtaining written instructions in regard to consolidations and/or renunciations.

The usual charge for the consolidation of any number of letters of allotment is 2s. 6d. for each separate holding required; (e.g.) in the case of a person lodging 20 letters of allotment, 10 of which are to be transferred to A. B. and 10 to C. D., 5s. would be payable. This charge is not universal, however, some companies making no charge and merely endorsing renunciations lodged to the new holder.

#### RENUNCIATIONS.

The origin, purpose and effect of the principle of renunciation of allotments are referred to briefly in a previous chapter (page 57). It is now necessary to describe the method of dealing with renunciations as they come in.

Although the full extent of the period during which the right of renunciation may be exercised is definitely fixed and is clearly stated in the letters of allotment, there is usually no rule laid down as to when the fact of renunciation must be notified at the office of the company or issuing house. The terms merely provide that unless the letter of allotment, with both the renunciation form and the form of acceptance or registration application form on the back duly completed, is lodged at the office of the company or issuing house within the specified period the shares will be registered in the name of the

original allottee, and that thereafter it will only be possible to transfer them in the usual way.

It follows that although a particular block of shares may be sold by the original allottee immediately after allotment, and may in fact change hands several times over during the specified period of renunciation, the company may be unaware of the fact until the very latest date when the renounced letter of allotment must be lodged. The effect of this will of course be that before the renunciation is notified the share certificate will have been made out in the name of the original allottee, and it will therefore have to be cancelled and a fresh one prepared. Similarly, unless the preparation of the permanent share register is postponed until after the termination of the period of renunciation, the entry of the original allottee's name in the register will have to be cancelled and a new account opened in the name of the person by whom the registration application form has been completed. (See also pages 58 and 95).

In many cases of renunciation, however, when the person acquiring the shares by renunciation wishes to hold them as an investment, it is customary for his brokers to obtain his signature at once to the registration application form and to lodge it at the company's office. This may very materially simplify the work of those in charge by avoiding the preparation of share certificate and share register account in the name of the original allottee merely to have to cancel them again. (See also page 60).

When a renounced letter of allotment is received it is advisable to accept it, if on examination the renunciation and registration application forms are found to be in order and the requisite instalments have been paid, and to issue an acknowledgement of it in the form of an "exchange ticket" (form 28), which the new allottee or "renouncee" can hold and surrender in due course in exchange for his share certificate. This ticket, which should be submitted for approval to the Share and Loan Department of the Stock Exchange, is normally intended to be used in cases of fully paid stock or shares. If further instalments are payable between the date of termination of the right of renunciation and the date when definitive certificates are to be ready, it will usually be preferable to issue in exchange for the original letter of allotment some form of interim or provisional scrip certificate as described later (pages 84 and 85).

As an additional precaution it may be thought desirable to

issue to the original allottee a notification of the lodgment of the renounced letter(s) of allotment (see form 29). These forms should be supplied in duplicating books.

The exchange ticket having been issued, the renunciation must be recorded by entering the renouncee's name and address, number of shares and particulars as to the payment of instalments on a special application and allotment sheet of similar pattern to those used on the issue, but with no consecutive numbers as the allotment will of course retain the same number which should be entered on the new sheet. At the same time the original entry (or the entry on the SPLITS or CONSOLIDATIONS sheet, if the original letter of allotment has been split or consolidated) must be turned up, marked "RENOUNCED" and referenced across to the *sheet* number of the sheet where the renouncee is entered. (See page 60 for system of recording direct on to special register sheets).

#### PAYMENT OF BROKERAGE.

Having organised the handling of splits, consolidations and renunciations and seen that all is running smoothly, the most important matter to attend to is the payment of brokerage, in accordance with the terms of the prospectus, on all allotments in respect of applications bearing the stamp or printed initials of a broker or other approved agent.

Brokers like to receive their brokerage as early as possible after the issue is completed, and they like to have particulars of the allotments in respect of which their brokerage is paid.

To facilitate this it is useful to have a supply of special analysis forms (form 30) upon which the allotments subject to brokerage may be listed. A separate form should be started for each broker (or other agent) whose name and address should be entered at the top, the initial letter of the name being inserted in the square space provided at the top right-hand corner. By means of these initial letters the forms can be kept sorted alphabetically and any particular name found with a minimum of time and trouble.

The method of analysis is for a managing clerk to go through the application and allotment sheets and to call out the name of the brokers or other agents inserted against each allotment to a staff of two or three clerks who divide amongst them the analysis forms sorted alphabetically. The appropriate analysis form is then turned up, or a new one started if

necessary, by one or other of the clerks, who enters thereon at the managing clerk's dictation, the allotment number, name of allottee and number of shares allotted.

In this way a series of lists is built up of all allotments, in respect of which brokerage is payable to brokers and other agents, sorted under their respective names. When all the application and allotment sheets have been dealt with the number of shares allotted on each list or analysis form is added, the total is calculated at the agreed brokerage and the amount payable is entered at the foot of the form.

The forms are then arranged in alphabetical order, numbered consecutively and summarised on special summary sheets of somewhat similar design (form 31) showing sheet number, name of agent, total number of shares, amount of brokerage payable and cheque number. The total of the summary sheet gives the total amount of brokerage payable.

Another method of ascertaining the brokerage payable is to re-sort the actual applications into batches under the names of the introducing brokers or other agents and then to use each batch as the source of information from which to prepare the lists. The objections to this method are that it involves breaking up the numerical sequence of the applications and that it involves the previous recording on each application of the number of shares actually allotted.

A further alternative way of preparing these lists is to have the analysis forms supplied by the printers on thin duplicating paper in sets of three or four, each sheet being of a different colour, fastened together at the top by a perforated strip and interleaved with carbon paper.

The sets of forms, when headed with the names and addresses of the different agents, are then distributed amongst a staff of typists and as each name is called by the managing clerk who goes through the sheets the appropriate set is found and inserted in the typewriter, the particulars are typed on and the set is removed from the typewriter and replaced until required again, the carbon paper always remaining interleaved. This can be done quite quickly and neatly with moderate care and it has the advantage of providing three or four typed copies of each list at one operation, so that when all are finished there is not only a copy of each agent's list to accompany his cheque without the necessity of re-copying, but also additional complete sets for the use of those responsible for the issue.

The payment of the brokerage may be made by ordinary cheque accompanied by a covering circular letter, but the most satisfactory method is to have special forms prepared with detachable cheques at foot (form 32) which can be despatched in window envelopes accompanied by copies of the lists described above.

#### WITHDRAWALS.

The next step after the completion of the allotment and the payment of brokerage is to refund the deposits received in respect of applications which have been withdrawn before the posting of the letters of allotment.

The method of dealing with the withdrawn applications has already been described (page 46) and all that is necessary to complete the matter is to prepare, from the file of cancelled applications, cheques in repayment of the amounts paid on application and to despatch them. This is best done by means of special forms with detachable cheques at foot (form 33), a summary of the money paid out being provided by inserting the amounts against the corresponding entries in the summary of withdrawals previously mentioned.

It is, of course, important to ascertain that the applicants' cheques have been duly cleared by the bankers before the repayment cheques are despatched.

It may happen in some cases that the applicant, when notifying his wish to withdraw his application, also gives notice that he has stopped payment of his cheque for the application money. In such event, of course, nothing further need be done beyond returning to the applicant the stopped and cancelled cheque which will be received back from the bankers.

#### PAYMENT OF INSTALMENTS.

The payment of instalments due in accordance with the terms of the prospectus must be watched and any outstanding ones dealt with by means of special reminders. This matter, and also the payment of interest on instalments paid in advance, is referred to in detail in Chapter IX.

#### SHARE REGISTER.

As soon as the period during which allottees have the right to renounce their allotments has terminated, the permanent share register should come into operation. It is important,

therefore, that the preparation of such register should be commenced as soon as possible after the allotment has been made.

The necessity of cancelling entries made in the register, in cases where allotments are renounced, but the renunciation is not notified to the company's registration office until towards the end of the specified period, has already been referred to. It is a minor difficulty which cannot easily be avoided; and may well be preferred to delaying the preparation of the whole of the register, which tends to cause confusion at the commencement of the period when the register is required to be in permanent working order. (See also pages 57 and 94).

The information to be entered in the share register will in the first instance be obtained from the application and allotment sheets and will include the name, address and occupation of the allottee, the date of the allotment (which if thought fit can on a new issue be printed in), the number of shares allotted, the amounts due, payable and paid on such shares and the distinctive numbers of the shares.

Where the issue consists of stock (or of shares which are immediately to be converted into stock) the question of distinctive numbers does not arise, of course, nor does it necessarily do so in the case of an issue in England of shares in a foreign company and the establishment of an English register in respect of such shares. In all cases of an issue of shares by a company registered under the English Companies Acts, however, it is necessary to give to each share a distinctive number; and such numbers must be recorded in the share register and also in all documents relating to the shares, subject to the qualification that they need not be entered in the original letter of allotment. Distinctive numbers are sometimes entered in letters of allotment, and this practice is suggested in the Stock Exchange regulations, but it is not essential and as their insertion very materially increases the work involved it is generally preferable to omit them.

The next question to be considered is the time and place of the first insertion of the distinctive numbers. If it is for any reason decided to include them in the original letters of allotment it will of course be essential to insert them in the application and allotment sheets and verify their correctness before the preparation of the letters of allotment is commenced. If, however, it is decided to omit them from the letters of allotment, as suggested above, it is questionable whether there is

any necessity to enter them in the application and allotment sheets at all.

In the opinion of the author to do so is a waste of time and labour, as the place where the distinctive numbers are really needed, and needed quickly, is the share register; and the time of the registration staff can be far more profitably employed in getting the share register prepared with all possible speed, postponing the insertion of the distinctive numbers therein until after the whole of the register is in other respects complete.

Having completed the preparation and checking of the register, by opening the requisite accounts in the names of the allottees and inserting therein particulars of their respective allotments, and having checked the whole by preparing a list and agreeing the total number of shares registered with the total allotted on the issue, the register can be turned over to a clerk of known ability and accuracy for the insertion of the distinctive numbers. This is best done by one man, starting at the first account in the register and working right through to the last, when the final distinctive number in the last account should agree with the total number of shares allotted.

An additional advantage of this method is found where, as frequently happens, several separate allotments have been made to the same person. When the register is prepared these allotments will all be collected into the one account in the allottee's name and, in consequence, when the distinctive numbers are inserted they will be consecutive throughout the whole number of shares allotted to him. This fact will in turn save time and labour in the preparation of the relative share certificate if, as is suggested later, the certificates are prepared from the register.

Other particulars which may have to be entered in the register, such as requests for payment of dividends to a bank, come rather within the scope of registration and transfer office work and are referred to later under that heading.

As regards the type of register to be used, it is probable that most large companies now keep their registers in loose-leaf form, with a separate sheet for each account. Given proper safeguards, this is the most satisfactory so long as the register is to be kept in actual book form. Various specimen rulings for loose-leaf share registers will be found in the appendix (forms 34 to 36). These rulings are equally applicable, or can be adapted with but little modification, for use in bound book form

if so desired. In the case of a large company, with its members numbered in thousands, the register will of course consist of several separate volumes, each having perhaps from 250 to 500 sheets.

The Companies Act, 1929, (section 95) requires the share register of a company to be kept "in one or more books," while section 96 requires every company having more than 50 members either to keep its register "in such a form as to constitute in itself an index" or else to "keep an index of the names of the members of the company." This index "may be in the form of card index."

The best method of indexing a loose-leaf register is to arrange the sheets in strict alphabetical order, to sub-divide the alphabet into sections and to separate the sections by means of special sheets of somewhat stronger paper than the rest, each bearing a projecting tab of leather or strong linen marked with the initials of the section. In the case of a very large company, however, it may be preferable to keep the registers in alphabetical sections only; to give each shareholder a number (prefixed with the initial letter of his name); and to keep a separate card index, in strict alphabetical order, in which is recorded merely the name, address and consecutive number of each shareholder.

An alternative system, which is especially appropriate to the type of share register sheet designed for machine posting (see form 36), is to have the sheets made of stiff paper and keep them in upright cabinets in similar manner to cards in the old-fashioned type of card index. With adequate safeguards against loss of sheets or cards, and a careful record of the transfer of sheets from current cabinets to those containing closed accounts and vice versa, this system should prove quite satisfactory and is adopted in the case of at least one large industrial company.

Where an issue is made of more than one class of share a separate register will be required for each class, with different coloured bindings to facilitate distinction. In the case of a very large company, however, where many shareholders hold shares of two or more classes, it may be found preferable to combine all classes of share in the same register. In such a case the special form of register included in the appendix (form 37) will be found useful. This form provides for three different classes of share and the headings of each section are

printed in different coloured inks, to coincide with the similar colour scheme adopted in the printing of share certificates and all other forms relative to the respective classes of share.

A register of debenture-holders should be substantially of the same form as a share register.

#### SHARE CERTIFICATES.

Next in importance to writing up the share register is the preparation of the share certificates. The Companies Act, 1929, (section 67) requires that certificates must be issued within two months after allotment *unless the conditions of issue otherwise provide*; so that, unless it can be arranged to have the certificates ready for issue when the right of renunciation expires, or very shortly thereafter, it is important that a clear statement be included—in all documents relative to the issue—as to when certificates will be available. In such cases, where any appreciable period of time is to elapse, between the allotment of shares (and/or the termination of the right of renunciation) and the issue of certificates, arrangements must be made—by the issue of interim or provisional scrip certificates or otherwise—for facilitating dealings in and the delivery of shares in the meantime (see pages 84 and 85).

The certificates may be prepared from the application and allotment sheets or from the share register. In the first case the sheets can be distributed amongst the staff, each of whom can either write out certificates for all allottees appearing upon the sheets given to him, or else can work on a definite unit—such as 100 shares—and only prepare certificates for allottees of that number, the sheets being then passed to another clerk working on a different unit. The former plan is probably the simpler, from the point of view of both preparation and subsequent checking, but the latter will save time if the precaution is taken of having certificates for the most common units over-printed with the number of shares in figures and words. In such event the over-printed certificates should be bound up in separate books according to their units, i.e. so many books of certificates for 100 shares each, so many of 200 each and so on. It must be remembered that the preparation of the certificates from the application and allotment sheets necessitates the insertion in the sheets of the distinctive numbers of the shares, the disadvantages of which have already been referred to. Also, cases where an applicant has received more than one

allotment will probably involve the preparation of a similar number of certificates.

If the certificates are prepared from the register, however, any allottee receiving more than one allotment can be given one certificate only for the whole of his allotment, instead of a separate one for each, unless he specifically asks for more than one; in which case a small fee can be charged, if so authorised by the articles of association, for each additional certificate. The entry of the distinctive numbers will also be materially simplified under this method, if they have been inserted in the register in the first instance as previously suggested (page 80).

When all the certificates have been prepared and checked, a useful final check can be obtained by means of a summary on specially designed sheets, showing merely the number of each certificate and the number of shares thereon (form 38). The total number of shares obtained from this summary should of course equal the total number of shares issued.

Specimen forms of share and stock certificate will be found in the appendix (forms 39 to 41). The form of certificate proposed to be used, and a sample of the paper upon which they are to be printed, must be submitted for approval to the Stock Exchange Share and Loan Department.

Share certificates must be issued under the common seal of the company and the affixing of the seal must be authorised by the board and attested by the signatures of one or more directors and of the secretary or registrar, or as may be specified by the articles of association. In the case of a large public issue, where the number of allottees may run into several thousand, it is a very usual practice for the board of directors, if authorised by the articles of association so to do, to appoint a small committee from amongst themselves and to entrust to such committee the responsibility for attending to all such matters of detail as may arise on the issue.

However the signing and sealing of certificates is to be done, it is important to make arrangements for those who are entrusted with this duty to attend at the office of the company or issuing house at regular intervals as the work of preparing the certificates progresses, so that the certificates may be signed and sealed as soon as possible after they have been prepared and checked and that no risk may be run of certificates not being ready at the date fixed for their issue.

A short time before the date upon which all certificates are

to be ready for issue a notice should be sent to all allottees (form 42) asking them to lodge their letters of allotment or exchange tickets to be exchanged for certificates, on or after a specified date. The issue of this notice will result in a queue of messengers during the first few days after the specified date, as well as the receipt of large numbers of letters of allotment by post.

Wherever possible the certificates should be issued immediately in exchange for the letters of allotment or other temporary documents; but where a letter of allotment is lodged which is—for the first time—found to have been renounced, or where there is any element of doubt or any query to be looked into, it is advisable and may be essential to issue some form of exchange ticket, such as is described above (page 75), instructing the person by whom the letter of allotment or other document has been deposited to call again at a specified time, usually two or three days later. When a number of letters of allotment or other equivalent documents are received together from a firm of brokers, separate exchange tickets should be made out for each shareholder, and all should be returned to the brokers.

Where the letters of allotment, etc. are received by post the relative certificates can be forwarded by post, in which case they should be accompanied by a special duplicating "certificate advice" form (form 43), and it is also necessary to detach from the certificate book the receipt form as well as the certificate. Where certificates are collected personally the messenger should be asked to sign the receipt in the book and the certificate only need be detached.

All letters of allotment, interim or scrip certificates, exchange tickets, etc. should of course be cancelled when share certificates are issued against them.

#### INTERIM CERTIFICATES.

As previously mentioned (pages 75 and 82), where the issue of definitive certificates is postponed for any length of time after the termination of the right of renunciation, interim certificates must be issued, with receipt forms upon them which can be signed by the company's bank upon production of the certificate and payment of the instalments as they become due, (see form 44). In such cases it may be found necessary or convenient to have printed, on the back of the form of interim certificate, a "record of transfers" form, such as is suggested later

(page 87) for use when transfers have to be certified against original letters of allotment, (see form 47); and also to use, in conjunction therewith, the special forms of balance ticket and transfer receipt described on pages 89 and 90 respectively (forms 50 and 52).

#### PROVISIONAL SCRIP CERTIFICATES.

An alternative system, which is frequently adopted with debentures and debenture stock, is to issue scrip certificates to bearer, in definite denominations, which are exchangeable when fully paid for registered debentures or debenture stock certificates. Such scrip certificates are provided with receipt forms for the various instalments, in the usual manner, and they may also include a form of coupon for the first payment of interest on a specified date, (see form 45). The stamp duty on scrip to bearer is 2d.

#### RETURN OF ALLOTMENTS.

Section 42 of the Companies Act, 1929, requires that whenever a company makes an allotment of shares it must within one month file with the Registrar of Companies at Somerset House a return of the allotments, stating inter alia the number and nominal amount of the shares allotted and the names, addresses and descriptions (or occupations) of the allottees.

This return must contain only the names of the original allottees and not the names of any parties in whose favour shares may have been renounced. (See also pages 58, 61 and 98.)

The list of names and shareholdings may be typed on plain or specially ruled paper attached to the official form, but the totals must be carried to the form, which must be signed by an officer of the company.

#### LIST OF SHAREHOLDERS.

Under the provisions of the Companies Act, 1929, (section 98), any member or other person may require a copy of the share register (i.e. a list of members with particulars of their shareholdings) on payment of sixpence, or such less sum as the company may prescribe, for every hundred words or fractional part thereof required to be copied; and the company is bound to supply such copy within ten days.

There must also be available at the statutory meeting of the company (section 113) a complete list showing the names,

descriptions (or occupations) and addresses of the members of the company and the number of shares held by them respectively. This list must be produced at the commencement of the meeting and must remain open and accessible to any member of the company during the continuance of the meeting.

It is a convenience if, as soon as possible after the share registers have been prepared and checked, a list can be typed therefrom on specially ruled typewriting paper. The advantage of having the list typed is that by means of carbon paper several copies can be taken and utilised for meeting both of the above-mentioned requirements.

#### REGISTRATION AND TRANSFER OFFICE.

The routine of a public issue, which is the real subject matter of this book, may strictly be regarded as terminating with the expiry of the specified period for renouncing allotments, the preparation of the share registers, the issue of share certificates and the filing of the return of allotments.

By some it would no doubt be said to terminate immediately the letters of allotment are posted; but, even where the completion of the allotment does in fact terminate the duties of those in charge of the actual issue, the work does not stop there and it is the duty of someone else to provide means of dealing with splits and renunciations and all the other matters of detail referred to in the foregoing pages.

Similarly it is someone's duty to provide for the next stage in the history of the new shares which have been issued; or, in other words, to organise the machinery of the permanent transfer office so that it may commence to function as soon as the right of renunciation has ceased and shares have to be passed by deed of transfer in the usual way.

Although it is not the purpose of this book to describe in detail the work of the company's registration and transfer office, it may be regarded as making the book more complete if some notes thereon be included, especially in view of the alternative suggestions contained herein regarding the adoption of share registers constructed on the visible card index principle.

The following pages, therefore, contain a brief outline of the principal matters which have to be provided for, as they would be dealt with in the office of a company where the usual type of register is adhered to. The application of the visible

card index system to the same matters is described in Chapter VII.

#### SHARE REGISTERS AND CERTIFICATES.

These have already been dealt with in some detail (pages 78 to 84) and need not be referred to again here. It should be noted, however, that the Committee of the Stock Exchange require companies to undertake to issue certificates within one month after the lodgment of transfers, in place of the two months period provided by the Companies Act.

#### TRANSFERS.

A specimen form of transfer deed (known as the "common form" and adopted by most companies) is given in the Appendix (form 46).

In the foregoing pages it is suggested that share (or stock) certificates should, if possible, be ready for issue in exchange for letters of allotment (or exchange tickets) as soon as the specified period for renunciation has terminated. It may happen, however, that this is not convenient, especially in cases where the right of renunciation expires before the shares are fully paid, and that some time must elapse between the expiry of the right of renunciation and the issue of certificates.

In such cases it will usually be found necessary either to issue interim or provisional scrip certificates, as previously mentioned (pages 75, 82, 84 and 85), or to accept transfers for certification and/or registration against the production of letters of allotment. In order to provide for this eventuality, in cases where scrip certificates to bearer are not permissible, it is desirable to have a supply of special "record of transfer" forms (form 47) which can be attached to the backs of the cancelled letters of allotment, or interim certificates, thus enabling them to be dealt with in similar manner to share certificates as herein described.

Apart from special points of the type referred to in the preceding paragraphs, the routine in connection with the transfer of shares will be as follows:—

#### CERTIFICATION.

When a shareholder sells part of his shares only, the transfer—when completed by the transferor—will be lodged at the company's transfer office (together with a certificate covering

the shares to be transferred) in order that it may be "certified" and become "good delivery" on the Stock Exchange.

The Committee of the London Stock Exchange in August, 1930, decided that certified transfers should come more under Stock Exchange control, and arranged that the Share and Loan Department should, by gradual stages, undertake the certification of transfers of both quoted and unquoted stock and fully-paid shares. Arrangements were also made to accept as "good delivery" transfers certified at such Associated Stock Exchanges as adopt proper safeguards. At the same time certification of transfers at the company's office is not excluded or made "bad delivery." The procedure is as follows:—

The share certificate and transfer should be carefully examined for any irregularities, the transferor's signature being verified where possible, as mentioned later (page 91). The certificate should then be cancelled and the particulars of the shares to be transferred entered on the back of the certificate showing the date certified, number of shares, distinctive numbers, and name of transferee (if shown on the transfer).

The transfer should then be marked with a special certification stamp (as shown below) and returned to the brokers' messenger.

The Co., Ltd.  
Certificate for Shares has been lodged at the Company's Transfer Office.  
(Date)

E.C.

The next step is to issue at once to the transferor a "transferor's notice," which should be available in duplicating book form (form 48), in order to give to the transferor an opportunity of advising the company if there is any irregularity in the transfer lodged for certification.

It is not essential that the transfer should be stamped at this stage; stamp duty only concerns the company when the transfer is lodged for registration.

It is a convenience to provide a strongly-made alphabetical file, of the "concertina" type with a strap round it, in which to

keep all certificates cancelled in respect of certified transfers until the whole of the shares represented by such certificates have been actually transferred. This file should of course be kept in a safe or strong-room when not in use.

It may happen that a number of transfers will be lodged for certification simultaneously off the same certificate, the total number of shares to be certified making up the full number of shares on the certificate. If so, when all the transfers have been certified the matter will be complete for the time being.

In the majority of cases, however, the number of shares certified will be less than the number of shares on the certificate and when this is so it will be necessary to issue to the transferor's brokers (in addition to the certified transfer) a "balance ticket" for the number of shares remaining on the certificate.

For this purpose duplicating balance ticket books should be provided (form 49). These tickets are negotiable on the Stock Exchange and may either be re-lodged at the company's transfer office together with fresh transfers for certification and/or registration, or retained by the transferor to be surrendered in due course in exchange for a fresh share certificate ("balance certificate") which should only be prepared at his request. In cases where transfers of partly-paid shares are certified against allotment letters or interim certificates, a special form of balance ticket—with receipts for further instalments—may be used with advantage (form 50).

Particulars of all balance tickets issued and/or surrendered should be inserted in the "Record of Transfers" form on the back of the original share certificate, and it is of course essential that no transfers should be certified or balance certificates issued in respect of shares on outstanding balance tickets without the surrender and cancellation of the balance tickets.

Full particulars of further transfers certified and/or balance certificates issued should also be entered in the record of transfers on the back of the original certificate.

Until a cancelled share certificate is finally disposed of—by the whole of the shares on it being transferred and the transfers registered—it should be kept in the alphabetical expanding file for purposes of quick reference.

As mentioned above, a balance certificate for shares remaining unsold should not be made out unless specially requested by the transferor, as his remaining shares may be sold by the time the

certificate is ready and it will therefore have been wasted. Where a transferor sells only part of his shares and wishes to retain the balance he can always obtain a certificate *on request*, in exchange for his balance ticket, and he should then be charged a balance certificate fee, if so authorised by the articles of association, of (say) 1s. for each certificate issued to him.

#### REGISTRATION.

When a transfer has been completed by the transferee it will be dated and stamped by his brokers and then lodged at the company's transfer office for registration together with the customary fee of 2s. 6d. per transfer deed.

If the transfer has not already been certified it should be accompanied by a certificate for the shares to be transferred, which should at once be cancelled.

The transfer should then be stamped with a special rubber stamp (as shown below) and at once given its consecutive number.

No. of Transfer	..
Date certified	..
Transfer Receipt No.	
Notice to Transferor	
Passed	.. ..
No. of Old Cert.	..
No. of New Cert.	..
Transferor's Fo.	..
Transferee's Fo.	..

The receipt of a transfer for registration—with the requisite fee—should be acknowledged by handing to the broker's messenger a "transfer receipt," which should be available in duplicating book form (form 51). Several transfers may be acknowledged on one receipt form, but it is usually preferable to issue a separate receipt for each transferee. Full particulars should be inserted of consecutive number, name of transferee, number of shares, distinctive numbers and amount of fee paid. In cases where partly-paid shares are transferred off allotment letters or interim certificates, a special form of transfer receipt—with receipts for further instalments—may be used with advantage (form 52).

Full particulars as to the shares transferred should be inserted on the record of transfers form on the back of the cancelled share certificate, which will either be lodged with the transfer for registration—as above mentioned—or will already be in the company's possession through having been previously lodged for certification.

The next step is to issue at once to the transferor, if not already done in regard to certification, a "transferor's notice" from the special duplicating book (form 48) in order to give to the transferor an opportunity of advising the company if there is any irregularity in the transfer lodged for registration.

Before accepting a transfer for registration and issuing a transfer receipt it should be examined for any irregularities, particular regard being had to the correctness of the stamp duty embossed on the transfer; and (unless previously done on certification) the transferor's signature should be verified wherever possible by reference either to an index of specimen signatures or to the original application form on which his shares were allotted or the previous transfer on which his signature appeared as transferee.

It may be that—if dealings in the company's shares on the Stock Exchange are very active—there will not be sufficient time to make this examination of signatures before issuing transfer receipts, but in this case it should be done immediately after the issue of the transferor's notice.

Should a transfer be lodged with the name of a firm (e.g., W. A. Thompson & Co.) appearing as transferee it must be refused, as shares can only be registered in the names of individuals or limited companies.

Where a transfer is lodged for registration on a nominal consideration only, and bearing the appropriate 10s. stamp, the reason for the nominal consideration should be enquired into and the transfer should be refused unless accompanied by the usual form of declaration, which may be printed either on the back of the transfer or on a separate form and signed by both transferor and transferee or their respective brokers, setting out the reasons for the nominal consideration.

After a transfer has been examined and approved the necessary share certificate should be prepared and entries made in the share register, reference numbers and folios being inserted on the transfer deed in the appropriate spaces in the rubber transfer stamp. By the use of this stamp, the transfers being

filed consecutively in batches of 100 or 200, the requisite information as to old and new certificates and the postings to the transferor's and transferee's accounts in the share register can be recorded direct on to the actual transfer, thereby avoiding the necessity for entering details of all transfers in a special book or "transfer register" as was formerly the rule.

Strictly speaking, the entries in the share register should not be made until after the transfer has been passed by the board of directors, but in practice it will generally be found advisable to assume that the board will pass the transfer and make the entries in advance, inserting the date of passing subsequently.

#### REGISTRATION OF DOCUMENTS.

When probates, letters of administration, powers of attorney or other similar documents are lodged for registration they should be carefully examined and short particulars entered in the documents register (form 53), and also in the space provided at the head of the shareholder's account in the share register, the document being then stamped with a special rubber stamp (see below) and the registration fee of 2s. 6d. collected.

The	Co., Ltd.
Registered.....	19.....
Share Register Fo. .....	Fee paid. .....
Documents Register Fo. .....	

Registrar.

On the death of a shareholder it is not essential for his shares to be actually transferred into the names of his executors or administrators. If the executors or administrators wish to transfer the shares they can do so in the ordinary way by means of a transfer on a nominal consideration after they have registered probate or letters of administration, in which case they will sign the transfer both as transferors and transferees, but unless they so wish it is quite sufficient to note the names of the executors or administrators on the shareholder's account and to mark the share certificates to the effect that probate or letters of administration have been registered, inserting the names of the executors or administrators on the certificate.

### DIVIDEND REQUESTS.

When a request is received from a shareholder that dividends on his shares be paid to a banker or other party, for the credit of his or any other account (see forms 54 and 55), the particulars should be inserted in the appropriate space at the head of his account in the share register and the instructions acknowledged by means of a special duplicating acknowledgment form (form 56). These instructions at the head of the share register sheets should be carefully watched when dividend warrants are being prepared.

### CHANGE OF ADDRESS.

Notices of change of address received from shareholders should at once be entered on their accounts in the share register and acknowledged by means of a special triplicating form (form 57), which should be sent to both old and new addresses as a precaution against fraud.

### POSTING OF SHARE CERTIFICATES.

Whenever share certificates are issued by post (or delivery) they should be accompanied by a special duplicating "certificate advice" form, as mentioned above (form 43).

### DUPLICATING AND TRIPPLICATING BOOKS.

Many of the duplicating and triplicating books referred to in the foregoing notes are designed to reduce the ordinary correspondence of the transfer office to a minimum and they should therefore always be made use of whenever possible.

All such books should be provided with an index at the end, which should be kept written up so as to facilitate reference in case of queries arising.

### LETTERS OF INDEMNITY.

Where a letter of allotment or share certificate is lost and a duplicate is asked for it is essential to obtain a letter of indemnity (form 58), signed by the shareholder and/or his bankers or brokers, before issuing the duplicate.

## CHAPTER VII

### ROUTINE WORK SUBSEQUENT TO ALLOTMENT, WHERE APPLICATION AND ALLOTMENT SHEETS ARE NOT USED

THE previous chapter describes in detail the various matters of routine which have to be dealt with after the letters of allotment and regret have been posted, and explains the method of dealing with them where the issue has been carried through on the usual system of listing all applications on analytical sheets.

This chapter shows how such routine matters are dealt with where an issue is carried through on the alternative system described in Chapter V. It is largely reproduced from the pamphlet referred to therein (page 62) and continues the consecutive section-numbering of such pamphlet.

#### 7. VISIBLE CARD INDEX REGISTER.

While the letters of allotment and regret are being completed, any cards receiving no allotment should be removed from the cabinet, as mentioned in (5) (see page 69), which will then form a card register in which all splits, renunciations and/or transfers can be recorded as soon as dealings in the shares commence.

A special signal should be inserted on all cards bearing the name of an introducing broker (or other approved agent) and the number of shares allotted on applications subject to brokerage and on those *not* subject to brokerage should be totalled separately by means of the figures on the visible edges of the cards, the joint totals being agreed with the total issue.

Different coloured signals should be inserted to indicate the following:—(e.g.) green, money payable on allotment; violet, final instalment payable; yellow, certificate ready to be issued; etc.

As each payment is received or certificate issued, the appropriate signal should be removed. By this means the exact position of each allottee can be seen at a glance.

As soon as the first rush of splits, consolidations and renunciations is over, the distinctive numbers of the shares should be

inserted throughout the card register prior to the preparation of share certificates.

Should it be decided to keep the permanent share register in card form, a formal resolution should be passed by the directors, after the period for renunciation has expired and all renunciations have been dealt with, converting the card register cabinet into the permanent share register.

It is important to see that all renunciations have been duly recorded in the card register before its conversion into the permanent share register in view of the necessity of avoiding any possibility of the renunciations being held to be illegal, a contingency which might arise if any of the original allottees were to be entered in the permanent register. This precaution having been taken, the formal board minute might read as follows:—

The secretary (or registrar) having reported that the period allowed for the exercise of the right of renunciation of allotments under the recent issue by the company of \_\_\_\_\_ shares of \_\_\_\_\_ each had expired on the \_\_\_\_\_ inst. and that all renounced letters of allotment received prior to that date had been duly recorded in the card index register of allotments made on the issue,

IT WAS RESOLVED

THAT the card index register now presented to the board be adopted as the permanent share register.

Should it be thought undesirable to retain the permanent register in the card form, the information contained in the cards can be utilised for writing up the usual form of register and the cards filed away. The cabinet can then be used for another issue or another purpose.

## 8. SPLITS, CONSOLIDATIONS AND RENUNCIATIONS.

When an allotment is split, consolidated or renounced, the particulars should at once be recorded on the card in the register, as follows:—

*Splits* should be recorded by substituting particulars of the new letters of allotment (bearing the same number as the original but sub-divided, *a*, *b*, *c*, etc.) in place of the original. In the case of a large split, the best method is to prepare new cards altogether, one for each split, so as to facilitate the entry of the cash instalments on each.

*Consolidations* should be recorded by noting on the applicant's card the number(s) of the new letter(s) of allotment issued to him in place of those surrendered. Where the surrendered letters of allotment include some in the names of other allottees (and acquired by the applicant by their renunciation) the cards of such other allottees must be treated as described below in respect of renunciations.

*Renunciations* should be recorded in similar manner to transfers, a new card being prepared for the "renouncee" and inserted in the appropriate place in the card register. Cross references should, of course, be entered on both cards. Where an allotment is *completely* renounced, the old card should be removed to a special section of the register kept for "closed" cards. Where an allotment is partially renounced, or the allottee acquires more shares by some other allottee's renunciation in his favour, it will be necessary to alter the figure on the visible edge of the card to the new holding.

Renounced letters of allotment, when lodged, should be retained, special acknowledgment or "exchange" tickets (form 28) being issued in their place, so that the necessary alterations may be made in the card register and also in any lists of shareholders which may be in course of preparation.

#### 9. BROKERAGE.

As soon as possible after the allotment has been made and the letters of allotment and regret have been posted, the batches of brokers' cards should be gone through, and any cards receiving no allotment should be removed, if not already done; (see (5) page 69). The batches should then be distributed to the typists for the preparation of the brokerage lists on special forms (form 30).

The special listing forms (ruled and headed as shown in the specimen) should be of foolscap size and supplied in sets of four sheets of different colour fixed together by a perforated strip at the top and interleaved with carbon-paper. They should be used as follows:—

A separate set should be started for each broker, whose name and address should be typed at the head of the form, and the initial letter of the broker's name should be inserted large in the space provided at the top right-hand corner.

The required particulars are:—Number of application, name of applicant and amount allotted.

When all the lists are completed and totalled, cheques should be prepared for issue to the brokers. The lists should then be arranged in strict alphabetical order and summarised on special summary forms of similar arrangement and colour to the lists, but printed in red (form 31).

The summary should be agreed in total with the summary of allotments subject to brokerage, referred to in (7). The sets of lists should then be separated, one copy being sent to the broker with his cheque, and the others arranged and filed separately or distributed to those responsible for the issue. The summary

forms should not be separated until the cheque numbers have been inserted.

#### 10. REPAYMENT OF CASH ON WITHDRAWALS.

The cheques in repayment of the cash received on cancelled applications should also be prepared as soon as possible from the withdrawals file and summary. (See also page 78.)

#### 11. SHARE CERTIFICATES.

By means of the sorting room summary (see (2) page 67) an estimate should be prepared of the number of holdings of each unit and instructions should be furnished to the printers to supply the share certificates with the number of shares printed in (on certificate, counterfoil and receipt), i.e. so many books of 100, so many of 500, etc., and so many in blank for use in the case of odd numbers. Different coloured bindings should be used for books of different value.

The card register slides or drawers should then be distributed, each clerk taking a slide and completing the certificates for all shareholders having the same holding in that slide, which would then be passed on to the next clerk, who would work on a different unit. The certificates should be checked on the same system.

It is important that on the preparation of each certificate the certificate number should be inserted on the card in order to facilitate the tracing of any particular certificate—when called for—by means of the allottee's or “renouncee's” name.

When all the certificates are prepared and checked, they should be summarised on special summary sheets and the total agreed with the total issue.

See under (7) for method of recording position of certificates by means of coloured signals.

#### 12. CALLS.

The payment of calls should be kept trace of and the payer's name ascertained by means of the allotment numbers (which should, of course, be the same as the application numbers) and by reference to the files of applications. They should be entered from the bank lists—as and when received—on to the register cards, which will then always give a complete record of the position of each shareholder's account. (See also Chapter IX.)

The bank slips (detached from the letters of allotment), when checked with the bank lists, should be filed away, the lists being filed separately in date order so as to form a subsidiary cash book, as previously mentioned (see page 39).

See also under (7) for method of indicating unpaid calls by means of coloured signals.

#### 13. RETURN OF ALLOTMENTS.

Where a return of allotments made on a public issue has, under the Companies Act, to be filed at Somerset House, it should contain only the names of the original allottees and not the names of any parties in whose favour shares may have been renounced. The permanent share register, on the other hand, which should be prepared (or converted, see (7)) as soon as the period for renunciation has expired and all renunciations have been dealt with, should contain the names of those original allottees who have not renounced the whole of their shares and also the names of parties who have accepted shares by renunciation. (See also references to difference between return of allotments and share register on page 58).

#### 14. TRANSFERS.

When a shareholder transfers part of his holding, it will be necessary to alter the figure on the visible edge of the card to the new holding, but, where a shareholder transfers the whole of his shares, the card should be removed altogether and filed separately, in strict alphabetical order, pending the recording of the transfer on the annual return for filing at Somerset House.

Until transfers have been audited for submission to the board, cards on which transfers have been entered should be indicated by the insertion of a special signal, which should be removed by the auditors when they check the postings of the transfers.

#### 15. DIVIDEND INSTRUCTIONS, ETC.

Where the card-index register is retained as the permanent share register, any instructions received from shareholders regarding the payment of dividends to bankers, etc., particulars of any documents registered, etc., may be noted on the backs of the appropriate cards.

## CHAPTER VIII

### THE USE OF OFFICE MACHINERY AND APPLIANCES IN PUBLIC ISSUE ROUTINE

THIS chapter does not pretend to contain an exhaustive study of the use of office machinery and appliances in carrying out the detail involved in public issue and allotment work, but it attempts to indicate briefly the principal matters in respect of which the work may be expedited and/or rendered more efficient by the utilisation of mechanical aid.

#### ADDING MACHINES.

The use of an adding machine for the purpose of keeping a running summary and total of shares applied for during the progress of the issue has already been mentioned (page 40). In addition, an adding machine can usefully be employed for preparing a summary of shares entered in the share registers or on share certificates in order to check the entries in total with the number of shares issued. Where the machine is capable of adding sums of money, also, it can be used for summarising the amounts received in respect of application and allotment money, calls, etc.

#### ADDRESSING MACHINES.

The use of addressing machines is now general in the registration and transfer offices of large companies, the saving of time and labour thereby effected in connection with the preparation of dividend lists and warrants, envelopes, annual lists of members, etc., being very great.

Similarly an addressing machine can be the means of materially increasing the efficiency of the routine work on a public issue, where it can be used for inserting the names and addresses of allottees on letters of allotment and regret, share register sheets and share certificates, and in the preparation of returns of allotments and of the requisite list of members for the statutory meeting in the case of a new company. At the same time, it should be noted that in very large issues, where there is a

likelihood of a considerable proportion of the original allotments being eliminated by consolidations, the preparation of addressing machine stencils for all applications may involve a waste of time and material. It is a matter requiring careful judgment in advance.

Where the use of an addressing machine is decided upon, its use requires a little organisation, as follows:—

- (1) The stencils or plates for use with the addressing machine should be prepared from the original applications, after they have been received and dealt with as described above (Chapters IV and V), the information required being the application number, name and address, the latter being set out as they would normally be written on an envelope.
- (2) When prepared, the stencils or plates should be checked, with the applications, and sorted under units (i.e. according to the number of shares applied for) and each unit should then be sub-sorted alphabetically. After being sorted and sub-sorted they should be arranged in trays, with a ticket (or label) attached stating the unit, the number of applications represented in the tray and the consecutive numbers of such applications.
- (3) The stencils or plates relating to specially marked applications (see pages 40, 41 and 67) should be kept separately, but should still be sorted under units as above-mentioned, those in each unit being arranged in alphabetical order.
- (4) When an application is withdrawn or cancelled the appropriate stencil or plate must of course be turned up and removed.
- (5) On the basis of allotment being settled, the stencils or plates should be re-grouped into units, in accordance with the allotments decided upon; e.g. it may be decided to allot 100 shares to each applicant for any number from 500 to 1,000, which necessitates all the stencils in the 500 to 1,000 groups being regrouped under the heading 100. The object of this, of course, is to enable the names and addresses to be inserted in the letters of allotment by means of the addressing machine.
- (6) After the issue is complete all stencils or plates in respect of applications on which no allotment has been made should be removed and cancelled.
- (7) In all cases of partial renunciations (or transfers) the stencils or plates should be transferred to the appropriate new trays, so as to be kept always sorted under units.

Where an allottee or shareholder renounces or transfers the whole of his holding the stencils or plates must be removed from the trays. Those relating to total renunciations should be cancelled but those relating to shares transferred should be filed separately in batches, according to the date of registration of the transfers (with appropriate guide cards) so as to facilitate the entry in the next annual return—for filing at Somerset House —of all shares transferred by persons who have ceased to be shareholders.

### BOOK-KEEPING MACHINES.

Accounting or book-keeping machines, such as are used for ledger posting, may be found useful in the transfer office of a large company for the purpose of preparing the share register sheets. In such case the register sheets must be specially designed (see form 36). If desired a list can be prepared by means of the machine, simultaneously with the entries in the register sheets, of all shares transferred, for use in connection with the preparation of the annual return.

### CALCULATING MACHINES.

Where a calculating machine is available it may be used with advantage in connection with the insertion in the application and allotment sheets or cards of the amounts payable on allotment and on further instalments.

### CARD INDEX CABINETS.

Apart from the question of providing an index to applicants by means of perforated application forms, as suggested on page 45, the ordinary type of card index is of little value in public issue work, but the modern visible-edge type can be of very material assistance. A system devised for this purpose is explained in detail in Chapters V and VII. The one-line type of visible index can also be used for providing a simple index to applicants, as mentioned on page 44.

### POSTAL FRANKERS, ETC.

Various types of machine are obtainable for sealing and stamping or franking envelopes, and in the case of a large issue a machine of this sort will very materially assist in the despatch of letters of allotment and regret, cheques in payment of brokerage, notices, share certificates, etc.

Another, and in some ways simpler and more satisfactory, method of dealing with the question of postage is to design in advance the various types of envelope required (window envelopes being used wherever possible) and to have such envelopes supplied by the printers with the official 1½d. stamp embossed.

### PRINTING MACHINES.

It is only in very large offices that printing machines are likely to be found, but where there is one available in the office of those in charge of a public issue it will no doubt be a convenience in

the preparation of some of the stationery and forms which must otherwise be obtained from the printers in the usual way.

#### TYPEWRITERS.

The use of typewriters in public issue work has already been referred to in previous chapters, and particularly in Chapter V in connection with the handling of an issue on the visible card index system.

Apart from ordinary correspondence, the use of typewriters is of great assistance in the preparation of lists of allottees, brokerage lists, etc. They can also be used with advantage in the writing up of loose-leaf share registers, the sheets being prepared and checked before they are sorted alphabetically and inserted in the binding-cases or covers.

A special type of machine, the use of which is now becoming more and more common in company registration work, is the "pin-hole" typewriter, so called because instead of the usual type-bar and ribbon the machine is designed to make the impression of letters and figures in the form of small pin-point perforations which penetrate through the paper and also simultaneously insert ink into the impression. This principle is of great value in the preparation of share certificates and other documents of title in which it is important to reduce to a minimum the chance of forgery and alteration.

#### SORTING AND TABULATING MACHINES.

In view of the amount of sorting required in the course of handling a public issue, the use of electrically-driven sorting and tabulating machines would at first glance seem to be indicated in the case of a very large issue. This possibility has been carefully considered, however, and although, regarded as a matter of mechanics, the work could be done by such means it is not regarded as an economical or practical proposition.

The normal requirements in the way of sorting the applications received are (1) under units, (2) alphabetically and (3) under brokers. Each of these is provided for under the alternative systems described in this book, and, having regard to this fact and also to the heavy cost of either purchasing or hiring the necessary machines, and the probable difficulty of obtaining an adequate number of skilled operators to punch the requisite cards from the applications, there does not seem to be any real advantage to be derived from their use in public issue work.

## CHAPTER IX

### ACCOUNTING RECORDS IN CONNECTION WITH A PUBLIC ISSUE

So far this book has dealt primarily with the routine work involved in preparing for and carrying through the actual allotment of shares or stock and with the subsequent recording of splits and renunciations, preparation of registers and certificates, etc. It is now proposed to consider the accounting records incidental to the routine of the issue.

These accounting records are required mainly for the purpose of keeping a careful check on the receipt of money due from allottees in respect of the shares or stock allotted to them. It is not the purpose of this book to discuss the establishment of any particular system of accounts nor to deal with the entries necessary to record the manner in which the capital raised by a public issue is expended. Its object is to describe the routine of and immediately subsequent to the issue itself and the scope of the present chapter is restricted accordingly.

#### APPLICATION MONEY.

As indicated in an earlier chapter (see page 39) the first accounting records will usually take the form of the lists prepared by the bankers for the issue, showing the amounts received from applicants when lodging their applications for shares or stock in response to the prospectus or offer for sale.

These bank lists may either be utilised as the source from which to write up a separate cash book; or, as previously suggested, they may be filed consecutively and themselves constitute a subsidiary cash book, the totals only being carried to the main cash book.

The sums received in respect of application money should be placed by the bankers to the credit of a "new issue" account in the name of the company making the issue; or, if preferred, they may be credited first to a special "application and allotment" account, the total of which may be transferred periodically to the new issue account.

The corresponding credit entries in respect of amounts received on application will in detail take the form of the individual entries on the application and allotment sheets (or cards) and the total of the application money column on the sheets (where the usual listing is adopted) should agree with the total debited in the cash book. The credit entry in total for private ledger purposes should be made either to "application and allotment" account or direct to "new issue" account, as may be preferred, the total of such account, in either case, being transferred eventually to the credit of the appropriate share capital or debenture stock account.

#### ALLOTMENT MONEY.

The recording of amounts received from allottees in respect of the balance due on allotment is very similar, in that the bankers will furnish lists of all amounts received, the individual items being identified by means of the allotment numbers. These lists can be utilised in exactly similar manner to those recording amounts received on application, the details being entered against the appropriate numbers on the application and allotment sheets, or credited to the appropriate cards, and the totals being posted to the credit of "application and allotment" account in the private ledger.

In addition, however, the letters of allotment will be provided at the foot with forms of receipt and perforated detachable slips, in respect of the amount due on allotment and also in respect of each subsequent instalment, (see forms 12 to 15, 20, 44 and 45). As each payment is made the receipt is signed and the perforated slip is detached by the bankers, the receipted form being returned to the payer and the detached slip being retained as a record by means of which the bank lists are prepared. These detachable slips will be forwarded—with the bank lists—to the office of the company or issuing house making the issue, and they should be compared with the lists and then filed away.

#### FURTHER INSTALMENTS.

A procedure similar to the above will be adopted in the case of further instalments due at later dates, the only differences being that (where listing is adopted) the credit entries will—in the absence of special circumstances—be made in the share register instead of on the application and allotment sheets,

and that it may be found convenient to instruct the bankers to open a separate account for each instalment, and for similar separate accounts to be opened in the private ledger. The advantage of this is that it keeps each instalment quite distinct from the application and allotment money and from other instalments and so facilitates the identification of any amounts in arrears and the agreement of such amounts with the details on the sheets or cards. It also throws into prominence any cases where an allottee pays in full on allotment or pays some particular instalment in advance. (See also page 97 (12).)

The special circumstances referred to in the preceding paragraph will include cases where the issuing house, in their capacity as "temporary registrars", do not prepare the permanent registers but keep the application and allotment sheets in such a form as to constitute a temporary register. In these circumstances all instalments will be entered on the sheets in appropriate columns and, in addition, columns will be provided for the insertion of discounts on instalments paid in advance, and also for the first payment of interest or dividend (gross, tax deducted and net).

The payment of amounts due on allotment and in respect of subsequent instalments, as shown by the bank lists, should be carefully watched, and periodically checked with the bank pass book and with the detachable slips above-mentioned. Any allottees in arrears with their payments may be dealt with by means of special appropriately-worded circular letters (forms 59 to 61).

#### INTEREST ON PAYMENTS IN ADVANCE.

Where the prospectus or offer for sale provides for the payment of interest on instalments paid in advance any such payments must of course be noted specially on the application and allotment sheets or cards; and a special list should be prepared (form 62) showing the amounts paid in advance and the interest thereon.

From this list the cheques or warrants in payment of the interest can be drawn (form 63), the number of the cheque or warrant being entered on the list. If this list be carefully filed it can serve as a further subsidiary cash book, the total only of the amounts paid out being entered in the main cash book in which are recorded all items relating to the routine of the issue.

**INSTALMENTS PAID UNDER DISCOUNT.**

It is sometimes provided in a prospectus that instalments may be paid in advance under discount, in lieu of interest being paid thereon as a separate transaction at a later date. In such a case the best plan to adopt, in order to simplify matters and avoid confusion, is for the letter of allotment to contain a table setting out the amounts to be deducted in specified circumstances (see form 14).

When amounts are received less discount in this way it will of course be necessary to make appropriate entries in the accounting records for the purpose of crediting the account of the instalment paid in advance and debiting an "expenses of new issue" account with the amount of the discount. This can be done by inserting the discount on the bank lists and then carrying the totals to the cash book for posting to the private ledger; or—if preferred—the postings of the totals can be made direct from the bank lists.

**SUBSIDIARY CASH BOOKS.**

The principle of filing lists of receipts or payments and using such files as subsidiary cash books, as described above, can be applied also to the payment of brokerage and to amounts repaid to applicants who have withdrawn their applications. So long as the files are carefully kept this principle should prove quite satisfactory and will save a considerable amount of time and labour by obviating the necessity of entering all such items in detail in the main cash books.

**ISSUE OF SHARES AT A PREMIUM OR DISCOUNT.**

Where shares or stock are issued at a premium, or at a discount, the total amount of the premium or discount must be transferred from the appropriate capital or allotment account to a premium or discount account, as the case may be, so that the capital account may be credited with the nominal value of the shares or stock issued.

## CHAPTER X

### ROUTINE WORK IN CONNECTION WITH ISSUES “PLACED” OR “INTRODUCED”

The routine work described in the foregoing chapters is applicable in cases where:—

- (a) A company offers to the public *for subscription*, either direct or through a bank or issuing house, a given quantity of its own shares or debentures, or
- (b) A third party, such as an issuing house, offers shares or debentures of a company to the public *for sale*, such shares or debentures having been allotted by the company to the third party, or the company having agreed to allot them to the third party or their nominees.

In Chapter II, which refers briefly to the alternative types of public issue and summarises the legal and Stock Exchange formalities applicable to each, mention is also made of cases where an issue is “placed” or “introduced.” Such cases hardly come within the normal definition of a public issue, in that the shares or debentures issued find their way into the hands of the public through the ordinary machinery of dealings on the market. In certain circumstances, however, the transaction may involve a considerable amount of routine work, some notes on which are contained in the following pages.

The circumstances in which any considerable amount of routine or detail work is likely to be involved will most frequently arise where the introduction is arranged by means of a “syndicate” formed or organised by a group of financial firms who “place” the shares or stock, which it has been agreed to purchase, with their respective clients on special terms.

The “syndicate” in such a case will very probably consist of a large group of participants acting through the agency of one or more individuals or of a small limited company, registered under the Companies Acts and owned by the principal firm or firms interested in the transaction, such company being housed by a firm of accountants or solicitors. This company (or the individual agents as the case may be) will act as managers of the syndicate and for convenience they are herein referred to as “the managers.”

It is advisable, when organising the machinery of a syndicate introduction such as is here visualised, to ensure that the transaction is not an offer for sale within the meaning of section 38 of the Companies Act, 1929, and also that it comes within the scope of one or more of the three cases cited on page 21 and numbered (1), (2) and (4), as otherwise it will be necessary to comply with the requirements of the Companies Act applicable to issues within category (c). (See page 20).

The first step will usually be the issue by the managers to the syndicate, i.e. to a specified group of participants—a list of whose names and addresses will be furnished to the managers by the financial firms interested, of a circular letter offering a participation in the proposed purchase of shares and setting out the terms on which such offer is made. Two alternative specimen forms of circular letter are given in the Appendix (forms 64 and 71); the wording will of course vary according to circumstances and the terms of the offer.

A list should be prepared by the managers, of all the participants in the syndicate to whom the circular letter containing the offer is sent, in which should be entered in appropriate columns the following information:—consecutive number (which should be entered on the individual forms of acceptance sent out with the circular letters), name, address, and amount of participation offered. Additional columns should also be provided for the insertion later of the amounts accepted, proportion taken firm, proportion left for re-sale, and for records of sales made and of sums received and paid. The information regarding sales made may in some cases be recorded more conveniently by means of a separate list specially designed for the purpose. When preparing the first list of participants it is advisable to arrange them in groups under the names of the brokers through whom they were introduced, as this will facilitate reference and also the calculation of any brokerage payable. This grouping should of course be done before the consecutive numbers are inserted.

As indicated by the specimen forms of circular letter given herein, the procedure is for the shares or stock, which it has been agreed to purchase, to be purchased by the whole group of participants in the syndicate in proportion to their respective participations, all details of the transaction being attended to by the managers on their behalf and as their agents.

The participants will usually have been notified beforehand

by their respective brokers, or other financial advisers interested in the transaction, so that the managers will expect to receive signed acceptances for the full amounts offered in each case. Each participant is also usually given the right to retain a specified and limited proportion of his participation as a permanent investment, the stipulation being that he undertakes not to sell any of the shares so retained for a specified period, unless previously released by notice from the managers, and that the remainder of his participation is to be left with the managers for re-sale on the market on his behalf at specified prices and within a specified period.

Until all the signed acceptances have been received and the list can be completed the managers will of course not know the full number of shares left with them for re-sale, nor whether the whole amount required to carry through the transaction is subscribed. So soon as this is known, however, the first part of the transaction can be completed and arrangements must be made to take up and pay for the shares and at the same time to deliver to each participant his proportion in exchange for his remittance at the agreed price.

To do this satisfactorily usually necessitates a stipulation that country participants shall instruct their London bankers or other agents to pay for and accept delivery of their shares so as to avoid delay in clearing remittances. Both sides of the transaction should be carried through on the same day during the usual banking hours.

Similarly, when shares are re-sold on behalf of participants, arrangements must be made for participants to deliver their proportion of the shares sold at the office of the managers, on the account-day for which the shares are sold, in exchange for cheques at the agreed price which will usually be the original price paid; the shares being in turn delivered by the managers to the market in exchange for a remittance for the full proceeds of sale. Profits on the re-sale of shares in this way will be retained by the managers until the whole of the shares left with them for re-sale have been disposed of, and will then be distributed (less the expenses incurred and any fee or commission which the managers may be entitled to charge for their services) amongst the participants in proportion to their respective participations.

Following each of the specimen circular letters in the Appendix will be found specimens of other forms suitable to

the subsequent routine of carrying through a transaction on the lines mentioned above (forms 65 to 70 and 72 to 79). These forms, together with the foregoing brief description, will probably give sufficient indication of the routine work involved.

#### CANADIAN AND AMERICAN SYSTEM.

It is of interest to note that the method of "placing" an issue described in this chapter is somewhat similar to the method of floating a public issue most frequently adopted in Canada and the United States. Or, more correctly, the system in those countries may be regarded as a combination of "placing," as described above, with an "offer for sale," as described in Chapter II, the usual method being for a firm of brokers, or in some instances a group of brokers, to underwrite or agree to take the whole issue and then sell it to their clients and the public over a period of time. Where the issue is taken by a group of brokers one of their number is appointed syndicate manager to make the financial arrangements and apportion the issue to the respective members of the group.

The broker, or syndicate manager, makes a firm undertaking to purchase the issue and the allotment of the whole issue is made by the issuing company to the broker subject to his order for the issuing of the certificates, thus obviating the necessity of detailed allotment to the subscribing public. The whole issue is paid for by the broker direct, or through his bankers who may help him in financing the purchase; and the company, through the medium of their appointed transfer agent, give to the broker—or to his bankers—a letter stating that the number of shares purchased are held to his or their order and that the relative certificates will be issued on his or their instructions.

As the broker is the responsible party in the transaction, and the shares are sold by him over a period in the ordinary course of business, formal applications for the shares issued or offered for sale are usually unnecessary. The bulk of the routine work involved in such an issue—in the sense contemplated by this book—falls upon the transfer agent of the company whose shares are being issued.

The transfer agent keeps the statutory records, which consist of the share register and transfer sheets compiled daily and filed in loose-leaf form as the transfer register. When an issue

is allotted to a broker, and the transfer agent is advised by the company's officials, a memorandum of the broker's account is opened and, when instructions are received from him for the issue of stock, pre-numbered certificates—already signed by the company's officers—are issued, countersigned by the transfer agent and recorded on the transfer sheets, and from there the stock issued is posted to the individual accounts in the share ledger.

The share certificates unissued are kept under control and all safeguards are used to prevent any unauthorised issue. If there is a registrar in addition to the transfer agent the new issue is forwarded to him with the transfer sheet and authorisation of the issue, to be checked and countersigned, the duty of the registrar being to prevent any over-issue. The broker's instructions to issue are receipted by him on delivery of the certificates and filed as official records. The statutory records of the company are thus kept practically as they would be by the company's secretary and every precaution is taken by a carefully planned system of checking to see that certificates are issued only on the proper authorisation and are properly recorded.

## CHAPTER XI

### SOME LEGAL ASPECTS OF PUBLIC ISSUE ROUTINE

THE purpose of this book is not to discuss in detail the law relating to public issues, but the routine work involved prior to, during and immediately after allotment. There are certain points of law, however, which may be regarded as arising out of the routine and with which it is advisable to be acquainted when undertaking the detail work of an issue. With a view to making the book as complete as possible some notes on these various points are given in this concluding chapter.

#### PROSPECTUS.

Chapter II contains a summary of the provisions of the Companies Act, 1929, regarding the public offer of shares or debentures of a company for subscription or sale, and there is therefore no necessity for their recapitulation here.

#### UNDERWRITING.

The procedure in connection with the underwriting of the whole or a part of an issue is described in Chapter III. An underwriting agreement may either be made the subject of a definite contract or it may take "the form of a letter from the underwriter addressed to the promoter of the company undertaking, in consideration of a commission to be paid in any event, to take up a certain number of shares—or a proportion of them—if not subscribed for by the public. Whether such letter amounts to a concluded contract, or whether it is merely an offer the acceptance of which must be communicated to the underwriter, depends upon its terms [*Consort Deep Level Gold Mines* (1897), 1 Ch. 575.]".—*Secretary's Manual*, pp. 98–99.

"An underwriting letter, as also a sub-underwriting letter, given for valuable consideration and expressed to be irrevocable, which authorises some one to apply in the underwriter's name for shares, is an authority coupled with an interest and is not revocable [*Carmichael's Case* (1896), 2 Ch. 643; *Olympic Reinsurance Co.* (1920), 1 Ch. 582; (1920), 2 Ch. 341].

"If the letter runs that the underwriter will 'if and when called upon subscribe or find subscribers,' and in default there is authority to sign the underwriter's name to an application, it may be a condition precedent to liability that he shall have been 'called upon' [*Ormerod's Case* (1894), 2 Ch. 474; *Bultfontein Sun Co.*, 75 L.T. 669; contrast *Shaw v. Bentley* (1893), W.N. 83; 68 L.T. 812]. So where the agreement is that the underwriter shall subscribe or find subscribers, and in default there is authority to sign his name to an application, it is a condition precedent to liability that notice shall have been given to the underwriter of the number of shares for which the letter has been accepted, in order that he may have an opportunity of subscribing or procuring subscribers for that number [*E. p. Stark* (1897), 1 Ch. 575].

"If the letter is, on its true construction, a mere offer, it is not binding until accepted, and until the acceptance has been communicated to the underwriter [*E. p. Stark* (1897), 1 Ch. 575, 591]; but where the letter is retained by the person to whom it is addressed, under circumstances from which it is inferred that the retention was meant as an acceptance and was so understood by the underwriter, it may not be necessary to show any formal communication of the acceptance [*Bultfontein Sun Co.*, 75 L.T. 669, as explained in *E. p. Stark* (1897), 1 Ch. 575, 592].

"Even if the authority to sign the underwriter's name to an application has not arisen, he may, by special circumstances, be estopped, as against the company, from denying that the authority has arisen [as in *E. p. Harrison*, 69 L.T. 204 as explained in *E. p. Stark* (1897), 1 Ch. 575, 593].

"If the letter provides that 'this engagement is binding' on the underwriter 'for two months,' the meaning is that the offer (for the underwriting letter is but an offer) is to be open for acceptance for two months; and it is open to the promoter to accept it and thus bind the underwriter after the shares have been offered to the public and the public subscription has been found insufficient [*Hindley's Case* (1896), 2 Ch. 121].

"An underwriting contract is not ordinarily a contract personal to the underwriter, and the liability under it passes accordingly to the executors of the underwriter [re *Worthington* (1914), 2 K.B. 299; *Warner Engineering Co. v. Brennan*, 30 T.L.R. 191]. A clause in an underwriting letter that the underwriter's obligation is to hold good notwithstanding

'variations' between the draft prospectus submitted and the prospectus as finally issued does not authorise alterations in the prospectus amounting to an alteration in the character of the company [*Warner International Co.* (1914), W.N. 61]."—*Buckley*, pp. 100 and 101.

Although a contract with a company to take up and pay for debentures may be enforced by an order for specific performance (Companies Act, 1929, section 76), a contract to underwrite debentures is not specifically enforceable.

#### APPLICATION FOR AND ALLOTMENT OF SHARES.

An application by one of the public is not a contract to take shares and become a member of the company unless it is accepted and its acceptance has been communicated to the applicant. "Where an individual applies for shares in a company, there being no obligation to let him have any, there must be a response by the company, otherwise there is no contract" (per Cairns, L.J., *Pellatt's Case*, 2 Ch. 527).

In preceding chapters, and especially in Chapter II, a public issue of shares or debentures of a company is referred to as an "offer" of such shares or debentures to the public either for subscription or for sale. In law, however, the prospectus setting out the terms of the issue is not an offer to some definite party or parties which may on acceptance become a binding contract; it is addressed to the public at large and in effect invites the public to offer to acquire or purchase the shares. The application signed by each individual applicant is therefore the offer in law, and in consequence it is not binding until it is accepted and its acceptance is notified, which is effected by the preparation and posting of a letter of allotment—on a direct issue—or letter of acceptance—on an "offer for sale."

"The following are amongst the chief points to be observed with regard to an application for shares:

"It need not be in writing [*Levita's Case* (1867), 3 Ch. App. 36]. It may be withdrawn before acceptance, but the offer remains open until the letter of revocation is actually received [*Byrne v. Van Tienhoven* (1880), 5 C.P.D. 344]. The withdrawal need not be in writing; and may be communicated to the secretary, or, in his absence, even to a clerk in charge [*Truman's Case* (1894), 3 Ch. 272]. The doing of some act inconsistent with the continuance of the offer, done to the

knowledge of the company, may be an effective withdrawal [*Dickinson v. Dodds* (1876), 1 Ch. D. 463]. The application may be made by an agent [*Hannan's Empress Co.* (1896), 2 Ch. 643]; but unless the agent informs the company that he takes the shares as agent and not as principal he may be personally liable in respect of them [*Southampton Steamboat Company* (1864), 4 De G. J. & S. 200.] Moreover, if the allotment is made to the agent and he renounces in favour of an undisclosed principal, the principal may be unable to rescind on the ground of misrepresentation contained in the prospectus issued to the agent [*Collins v. Associated Greyhound Racecourses, Ltd.* (1929), C. 45, T.L.R. 519]. Application in a fictitious name, followed by allotment, renders the applicant liable, and his real name may be entered on the register [*Hercules Insurance Co., Pugh & Sharman's Cases* (1872), 13 Eq. 566]. Application by a father in the name of his infant son renders the father liable [*Imperial Mercantile Association, Richardson's Case* (1875), 19 Eq. 588]. Application subject to a condition precedent will not give rise to a contract unless the condition is performed [*Aldborough Hotel Co.* (1870), 4 Ch. App. 184; where a builder applied on condition that he should have the building contract]. But if the condition is subsequent—in other words, if it can be construed as a separate agreement, collateral to the agreement to take shares—the applicant will be liable on the shares notwithstanding breach of the collateral agreement [*Richmond Hill Hotel Co., Elkington's Case* (1867), 2 Ch. App. 511].

"Allotment 'is generally neither more or less than the acceptance by the company of the offer to take shares' [per Chitty, J., *Nicol's Case* (1885), 29 Ch.D. 421].

"Below are some of the more important decisions on allotment:

"An improperly constituted board of directors has no power to act for the company, and therefore an allotment by such a board will be invalid [*re Homer District Gold Mines* (1889), 39 Ch.D. 546]. But an allotment by an irregularly constituted board may be subsequently ratified by a regular board [*Portuguese Copper Mines, Badman's and Bosanquet's Cases* (1890), 45 Ch.D. 16]. Directors cannot delegate their power to allot [*Leeds Banking Co., Howard's Case* (1866), 1 Ch. App. 561], unless by the articles they are authorised to do so [*Harris's Case* (1871), 7 Ch. App. 587]. The power of directors to allot is a fiduciary power, which must be exercised bona fide for the

benefit of the company as a whole, and not for their own ends, e.g. to maintain their control, or to defeat the wishes of the majority of the shareholders [*Piercy v. S. Mills & Co.* (1920), 1 Ch. 77; see also *Gas Meter Co. v. Diaphragm, etc., Co.* (1925), 41 T.L.R. 342].

"Allotment must be made within a reasonable time after application; otherwise the allottee may refuse to accept the shares [*Ramsgate Hotel v. Montefiore* (1865), 4 H. & C. 164]. It must be communicated, though the communication need not necessarily be in writing [*Guinn's Case* (1867), 3 Ch. App. 40; *Levita's Case* (1867), 3 Ch. App. 36]. Generally the contract is complete as soon as the letter of allotment is posted, even though it is never received [*Household Insurance Co. v. Grant* (1879), 4 Ex.D. 216]. Posting means putting the letter under the control of a postal official authorised to receive it [*London and Northern Bank, ex parte Jones* (1900), 1 Ch. 220]. But to make a complete contract the allotment must correspond with the application; e.g. if A applies for 100 shares, and 50 only are allotted to him, he is not bound to take them, unless the application contained such words as 'or such less number as may be allotted to me' [*ex parte Roberts* (1852), 1 Drew, 204]. No fresh condition can be imposed by the allotment. If it is complicated by the addition of a new term or condition there will be no contract [*Jackson v. Turquand* (1869), L.R. 4 H.L. 305].

"Shares should never be allotted to an infant, for he can afterwards repudiate the contract, and obtain repayment of the money paid for them, and have his name removed from the register; but he cannot recover money already paid for the shares unless there has been a total failure of consideration, i.e. unless it can be shown that the shares could not have been sold [*Steinberg v. Scala (Leeds)* (1923), 39 T.L.R. 542, overruling *Hamilton v. Vaughan-Sherrin Electrical Co.* (1894), 3 Ch. 589]. But if he is registered and acts as holder of the shares after attaining his majority [*Lumsden's Case* (1868), 4 Ch. App. 31], or does not repudiate within a reasonable time [*Yeoland Consols* (1888), 58 L.T. 922], he will be liable. Knowingly to allot to an infant is a misfeasance [*ex parte Wilson* (1873), 8 Ch. App. 45].—*Secretary's Manual*, pp. 55-57.

As to allotting shares to partners in a firm, see page 118.

A letter of allotment requires a penny stamp if the value of

the shares allotted is less than £5, and a sixpenny stamp (impressed) if the value is £5 or over. The fractional part of a share must be stamped on the same basis. A bankers' receipt, if attached to the letter of allotment, does not require a separate stamp.

"An unstamped letter of allotment may complete the contract, although after receipt of the unstamped allotment and before the subsequent receipt of a stamped allotment the allottee repudiates [*Whitley Partners*, 28 W.R. 241; 42 L.T. 11]."

—*Buckley*, p. 44.

#### RENUNCIATION OF ALLOTMENT.

As previously mentioned (page 58) the law distinguishes between the "allotment" and the "issue" of shares, the process of issue not being actually complete until the shares are entered in the share register or register of members. Consequently, where an allotment is renounced the name to be entered in the register is that of the person accepting the shares on renunciation.

A letter of renunciation—or a form of renunciation on the back of a letter of allotment—requires the same scale of stamp duty as a letter of allotment (see above) but the stamp may be adhesive even if the value is over £5.

"The execution of the letter of renunciation and the signature of the form of acceptance has a similar effect to a transfer of the shares, but it is not in law a transfer of shares attracting ad valorem duty, but an assignment of the right of the original allottee to be registered in respect of the shares. See *re Pool Shipping Co.* (1920) 1 Ch. 251; *Collins v. Associated Greyhound Racecourses* (1930), 1 Ch. p.r."—*Secretary's Manual*, p. 54.

#### SHARE REGISTERS.

In Chapters V and VII reference is made to the use of share registers in card form, the legality of which is sometimes questioned. As mentioned in Chapter V, this problem would seem to be largely dependent upon a satisfactory answer to the question "what is a book?" The precise wording of section 95 of the Companies Act, 1929, might be read as requiring the register to be kept in bound books; but that a wider interpretation is placed upon the section in practice is evidenced by the fact that most large companies now keep their registers in

loose-leaf form, while in at least one case the register takes the form of loose sheets which are kept in similar manner to cards and certain smaller companies have adopted the visible card index principle. (See references on pages 66 and 95 to the use of a card index and to the conversion of a card index register of allotments made on a public issue into the permanent share register.)

"The register may consist of different books which by reference from one to the other supply all the information required by the section [*Weikersheim's Case*, 8 Ch. 831, 836]."—*Buckley*, p. 212.

"Allotment sheets may in some circumstances constitute a register [*E. p. Cammell* (1894), 1 Ch. 528; 2 Ch. 392]."—*Buckley*, p. 213.

"A partnership firm is not a 'person' [*Sadler v. Whiteman* (1910), 1 K.B. at p. 889; on appeal (1910), A.C. 514], and the partners in a firm have no right as such to be registered as members in the firm name [*Vagliano Anthracite Collieries* (1910), W.N. 187]. Partners in a firm may, however, be joint members [*Weikersheim's Case*, 8 Ch. 831; *Glory Paper Mills, Dunster's Case* (1894), 3 Ch. 473]; and, semble, if under the constitution of the partnership it be within the authority of one partner to accept shares so as to bind the firm [see *Niemann v. Niemann*, 43 C.D. 198], the acceptance of shares by one partner and registration of the shares in the firm name may render all the partners joint holders of the shares [*Weikersheim's Case*, 8 Ch. 831; *Glory Paper Mills, Dunster's Case* (1894), 3 Ch. 473]."—*Buckley* p. 56.

#### DISTINCTIVE NUMBERS.

The legal position in regard to the identification of shares in a company by means of distinctive numbers is somewhat anomalous. The Companies Act, 1929, requires on the one hand (section 62) that "each share in a company having a share capital shall be distinguished by its appropriate number," while at the same time permitting (section 50) the conversion of fully paid shares into stock, which can in practice—if authorised by the company's articles of association—be dealt in in units of the same denomination as the original shares. This practice has in fact been adopted by several large companies with a very material saving of time and labour on the part of

their own staffs and also in the offices of all stockbrokers concerned.

Distinctive numbers of shares allotted on a public issue are sometimes inserted in the letters of allotment, but this practice is usually undesirable as it must necessarily add very materially to the work involved, with a consequent delay in completing their despatch. That it is also unnecessary would seem to be emphasised by decisions given in regard to the validity of transfers of shares without distinctive numbers or with incorrect numbers.

"The numbers are simply directory for the purpose of enabling the title of particular persons to be traced. One share, being an incorporeal right to a certain portion of the profits of the company, is the same as another. If, therefore, a transferor has the number of shares which he professes to transfer, or a larger number, and by mistake the wrong distinguishing numbers are put in the transfer [*Ind's Case*, 7 Ch. 485; cf. *Pinkett v. Wright*, 2 Hare 120], where the shares were not numbered, or the numbers are not inserted till after execution [*Bishop's Case*, 7 Ch. 296, n.; and see *E. p. Contract Corp.*, 3 Ch. 105], or not inserted at all [*Letheby and Christopher, Ltd.* (1904), 1 Ch. 815], that will not prevent the number of shares purported to be transferred from passing to the transferee (and see, as to the number of shares, *East Gloucestershire Railway Co. v. Bartholomew*, L.R. 3 Ex. 15).

"A person may be a shareholder who does not hold any numbered shares [*Portal v. Emmens*, 1 C.P.D. 201, 211, 664].—*Buckley*, p. 683.

#### SHARE AND STOCK CERTIFICATES.

"In the absence of any provision to the contrary in the conditions of issue of any shares, debentures, or debenture stock, a company must within two months after allotment complete and have ready for delivery the certificates for shares or debenture stock, or the debentures, as the case may be (Companies Act, 1929, section 67). It is sometimes more convenient to postpone the issue of certificates until the shares or stock are fully paid, and it is therefore desirable to make provision accordingly.

"Section 68 of the Act provides that 'a certificate under the common seal of the company specifying any shares held by any

member shall be *prima facie* evidence of the title of the member to the shares.' 'Share' includes stock (section 380).

"A share certificate under the common seal estops the company from denying that the person to whom a certificate is granted is the registered shareholder entitled to the specific shares included in the certificate [*re Bahia Railway* (1868), 3 Q.B. 584; *Balkis Company v. Tomkinson* (1893), A.C. 396]. It is not a negotiable instrument, nor a warranty of title on the part of the company issuing it [*Longman v. Bath Electric Tramways* (1905), 1 Ch. 646].

"If the certificate describes the shares as fully paid, the company cannot, as against a bona fide holder without notice, deny that the shares are so paid up [*Burkinshaw v. Nichols* (1878), 3 A.C. 1004; and see *Bloomenthal v. Ford* (1897), A.C. 156; *Coasters* (1911), 1 Ch. 86].

"To raise a case of estoppel against the company, the holder of the shares must show that he acted on the certificate [*Dixon v. Kennaway* (1900), 1 Ch. 833]. If the company refuse to do something which, assuming the certificate to be correct, it ought to have done, it can be sued and the measure of damages will be the value of the shares at the date of the breach of duty [*Ottos Kopje Mines* (1893), 1 Ch. 618].

"The rule does not of course give the holder of a certificate who has got it from a bare legal owner any right against those equitably entitled [*Shropshire Union Railways v. The Queen* (1876), L.R. 7, H.L. 496]." —*Secretary's Manual*, pp. 42 and 43; and p. 53.

#### SCRIPT CERTIFICATES: INTERIM CERTIFICATES.

"Provisional scrip to bearer is often issued to applicants for debentures and debenture stock before the instalments are finally paid up, and the debenture itself or the stock certificates issued. The scrip is a negotiable instrument, with the consequence that any person taking it in good faith and for value obtains a title to it, independent of the title of the person from whom he takes it [*Goodwin v. Robarts* (1876), 1 A.C. 476]. Transfer may be made by delivery. The stamp duty on scrip to bearer is 2d." —*Secretary's Manual*, p. 199.

"In scrip companies, where scrip certificates have been issued entitling the holders, on certain conditions complied with, e.g. payment of instalments and registration, to shares,

there will, if such conditions are conditions precedent, be no completed contract until the conditions are complied with. The contract will be merely a contract entitling the scrip-holder at some future time to apply for or receive an allotment of shares [*Ormerod's Case*, 5 Eq. 110; *McIlwraith v. Dublin Trunk Railway Co.*, 7 Ch. 134, 139].

"And, at any rate, an allottee of scrip in such a case who sells his scrip before registration [*Eustace v. Dublin Trunk Railway Co.*, 6 Eq. 182], or whose scrip is forfeited for non-payment of instalments [*E. p. Collum*, 9 Eq. 236], is not liable for shares.

"But if an applicant has become and been registered as a shareholder, and then the company, having no power to issue anything but shares transferable by deed, issues to him scrip certificates transferable by delivery, and he deliver them to a purchaser, this does not discharge him from liability as a shareholder. For the transaction amounts at the most to an equitable contract that the company will accept the holder of the scrip certificates as a shareholder on the allottee doing all acts necessary to clothe him with that character; but this cannot shift the legal liability [*McEuen v. West London Wharves Co.*, 6 Ch. 655]."—*Buckley*, pp. 49–50.

#### SYNDICATES.

Where shares or stock are placed by means of a financial group or syndicate acting through the agency of managers, who may be one or more individuals or a limited company, as described in Chapter X, a point of some difficulty may arise in connection with the liability for income tax on any profits made.

The actual position will depend largely, if not entirely, upon the construction and wording of the syndicate agreement or circular letter sent out by the managers to all participants in the group and accepted by them. Broadly speaking, however, the usual position is that the managers will be liable to tax upon any profits made or fees received by them, in consideration of their acting as managers, but upon nothing else, unless it can be held that the managers alone had the right to decide as to the disposal of the shares.

If it is a fact that the sole right of decision rests with the managers, the question of their liability to tax upon profits made by the re-sale of the shares may present some difficulty.

In the usual method of procedure, however, the participants have the right, at their own absolute discretion, to retain a certain proportion of their participation, leaving the balance only for re-sale by the managers on their behalf. This fact constitutes the participants principals and the managers their agents, so that any profits made are clearly the profits of the participants and not of the managers.

In such circumstances the managers are under the obligation, under the provisions of the Income Tax Acts (Income Tax Act, 1918, section 103), to furnish to the Inspector of Taxes a list of all the participants with the amounts accruing to each in respect of their proportion of the profits derived from the re-sale of the shares. Following the delivery of such list the information is passed on by the Inspector who receives it to the various Inspectors who deal with the personal tax matters of the individual participants and it then becomes necessary for each participant to deal with the question of his own liability.

Where the transaction is in the nature of the usual business of the participant, or where the participant makes a practice of frequently entering into such transactions, there will probably be no possibility of escaping liability; but where a participant can satisfy the Inspector that the transaction is an isolated one and/or is purely of a capital nature, similar to the ordinary purchase and sale of shares on the Stock Exchange, it will usually be agreed that there is no liability. It should be noted here that the fact of the transaction being an isolated one does not alone necessarily give exemption, since it was held in the case of *Lyons v. Cowcher* (K.B., February, 1926, 10 T.C. 438) that an isolated underwriting transaction was liable.

## APPENDIX A

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### *Stock Exchange regulations pertaining to new issues and official quotations.*

#### APPENDIX 34 A and B.

#### REGULATIONS FOR OBTAINING PERMISSION TO DEAL IN NEW ISSUES.

(Rule 159.)

A The following documents and particulars should be sent to the Secretary of the Share and Loan Department, when application is made for Permission to Deal:—

1. (a) Certificate of Incorporation (in the case of a Company registered abroad notarially certified copy or translation of Certificate of Incorporation and of Bye-Laws), (b) the Certificate entitling the Company to commence business (if required), and (c) Memorandum and Articles of Association and copy or draft of Trust Deed (if applicable).

2. Copy of Resolutions authorising issue.

3. Certified Copy of Agreement relating to issue of Shares credited as fully-paid and of any other contracts mentioned in Prospectus.

4. In the case of an issue for cash, copy of Prospectus, Offer for Sale or Circular of Issue, stating all material conditions relating to the flotation of the Issue, and (in the case of a new Company) to the formation of the Company and if publicly advertised, copy of principal London newspaper in which the full Prospectus was advertised. In the case of an issue by Prospectus, Offer for Sale, or Circular it must be stated whether any Shares are under option and if so at what prices, when such options expire and the consideration (if any) given for such options.

5. Specimen (or advance proof) of Allotment Letter, and, if possible, of Scrip and Definitive Certificates. Allotment Letters must be serially numbered and be printed on good quality paper. Any Renunciation Letter attached to an Allotment Letter for fully-paid Shares must not be current for a period exceeding six weeks and for partly-paid Shares for a period exceeding one month from the date of the final call. When, at the same time as an allotment is made for Shares issued for cash, Shares of the same class are also allotted, credited as fully-paid, to Vendors or others for a consideration other than cash, the period for renunciation may be the same as, but not longer than, that allowed in the case of Shares issued for cash. The form of renunciation on Allotment Letters (and Letters of Rights) must be printed on the back of, or attached to the document in question. Split Allotment Letters and Split Letters of Rights must be certified by an Official of the Company.

NOTE.—In cases where an Issuing House or other body or person has purchased an issue of Stock which is subsequently offered to the Public, a certified copy of the Resolution or other document, evidencing that the Purchaser has received due authority to issue Scrip on account of the Seller, must be supplied. If no such authority has been given, the Scrip must be enframed "Contractor's Scrip." "Contractor's Scrip" may not be issued in cases of issues made by County Councils, Municipal Corporations, or other Local Authorities of Great Britain and Northern Ireland.

In order to facilitate the certification of transfers it is suggested that the Allotment Letters should contain the distinctive numbers of the Shares to which they relate.

6. Letter (a) giving distinctive numbers:

- (i) of shares for which Permission to Deal is being applied for, distinguishing those to be allotted:
  - (c) for Cash;
  - (v) to Vendors or others for a consideration other than Cash or in exchange for Cash;
  - (o) in pursuance of an option.
- (2) giving number of Shares unissued or for which Permission to Deal is not applied for, distinguishing those:
  - (v) allotted to Vendors or others for a consideration other than Cash or in exchange for Cash;
  - (o) under option;
  - (r) reserved for future issue.
- (3) In the case of a further issue stating whether or not the Shares are identical<sup>†</sup> in all respects with existing Shares.

7. Approximate date when Definitive Certificates will be ready for issue.

8. List of allottees or present holders—name, address and holding (when required).

9. In all cases other than Government and Municipal Loans, and issues by Statutory Boards, Companies incorporated by Special Act of Parliament and other similar authorities, whether the issue is made by Prospectus or otherwise, particulars of any underwriting or commission must be disclosed and a copy of the underwriting agreement and of sub-underwriting letter, if any, together with (if required) a list containing the names, addresses and descriptions of sub-underwriters and the amount sub-underwritten must be lodged with the Department.

10. An undertaking under the seal of the Company in the following form and to the following effect (printed copies of such undertaking are available in the Share and Loan Department):—

- (i) To split Letters of Allotment and if a "Rights" issue to split Letters of Rights, and to have any such "Splits" certified by an official of the Company.

<sup>†</sup> A statement that Shares are in all respects identical is understood to mean that:—

- (x) They are of the same nominal value, and that the same amount per Share has been called up.
- (2) They carry the same rights as to unrestricted transfer, attendance and voting at meetings, and in all other respects.
- (3) They are entitled to dividend at the same rate and for the same period, so that at the next ensuing distribution the dividend payable on each Share will amount to exactly the same sum.

- (2) To issue the Definitive Certificates within one month of the date of the lodgment of the transfer and to issue balance Certificates, if required, within the same period.
- (3) To notify the Share or Stockholder as soon as a transfer out of his name has been certified by the Company's Officials or notification of Certification has been received from the Share and Loan Department or any Associated Stock Exchange.
- (4) To issue all Allotment Letters simultaneously numbered serially and in the event of its being impossible to issue Letters of Regret at the same time to insert in the Press a Notice to that effect, so that the Notice shall appear on the morning after the Letters of Allotment have been posted.
- (5) To certify transfers against Allotment Letters.
- (6) Where power has been taken in the Articles to issue Share Warrants to Bearer, in the event of the Company deciding to make such an issue: (i) to issue such Warrants in exchange for Registered Shares within three weeks of the deposit of the Share Certificates; and (ii) to certify transfers against the deposit of Share Warrants to Bearer.
- (7) To notify the Share and Loan Department without delay:—
  - i. Of any changes in the Directorate by death, resignation or removal;
  - ii. Of any extension of time granted for the currency of temporary documents.
- (8) To forward to the Share and Loan Department:—
  - (a) Three copies of the Statutory and Annual Report and Accounts as soon as issued (unless such provision is contained in the Articles of Association).
  - (b) Three copies of all Resolutions increasing the Capital and all notices relating to further issues of Capital, call letters or any other circular at the same time as sent to the Shareholders.
  - (c) Three copies of all Resolutions passed by the Company in General Meeting other than Resolutions passed at an Ordinary General Meeting for the purpose of adopting the Report and Accounts, declaring dividends, and re-electing Directors and Auditors; and
  - (d) To advise the Share and Loan Department by letter of all dividends recommended or declared immediately the Board Meeting has been held to fix the same.

11. In issues made by County Councils, Municipal Corporations or other Local Authorities (hereinafter all referred to as the "Local Authority") the following regulations must also be complied with.

- (i) If Scrip Certificates are to be issued:—
  - (a) The denominations must be stated in the Prospectus or the advertisement published under Appendix 34B.
  - (b) They must be ready for issue within 21 days of allotment.
  - (c) They must bear an autographic signature and there must be supplied to the Committee and (in cases where the official signing is not the Registrar or his officer) to the Registrar

## THE ROUTINE OF A PUBLIC ISSUE

of the Stock, specimen signatures of the official or officials of the Borrower, Bank or Issuing House authorised to sign together with the distinctive numbers of the Scrip signed by each official.

(2) The following letter, signed by a duly authorised official of the Borrower, must accompany the application.

**TO THE COMMITTEE FOR GENERAL PURPOSES,  
THE STOCK EXCHANGE.**

In connection with the issue of £..... Stock of the .....(Local Authority) I hereby certify that arrangements to the following effect have been duly made:—

*If the issue is made by Prospectus.* All moneys received by the Bank .....Issuing House under the Prospectus dated .....on behalf of the .....(Local Authority) and to which they are entitled will be paid within the following periods to the .....Bank at .....being the ordinary Bankers of the .....(Local Authority) for credit to a special account which has been opened in the name of the Stock:—

Moneys paid prior to allotment—3 days after allotment.  
All other moneys—24 hours after collection.

*If the Stock has been sold outright to a Purchaser.* Allotment letters and Scrip Certificates are not being issued by .....(Purchaser) on his (or their) own behalf but by or on behalf of the .....(Local Authority). No such document will be issued until the .....(Purchaser) has paid to the .....(Bank) at .....being the ordinary Bankers of the .....(Local Authority) for credit to a Special Banking Account which has been opened in the name of the Stock all sums due from the .....(Purchaser) in respect of the amount certified in the document to have been paid by the holder thereof.

Bank  
The .....Issuing House

(1) As early as practicable with a complete record of the Scrip Certificates issued by them showing in each case the number and other identification mark of the Certificate, the amount of Stock to which it relates and a description of the manner in which it has been authenticated and

(2) will notify the Registrar immediately payment has been made in full on any Scrip Certificate.

(NOTE.—Where Scrip Certificates are not to be issued the above Clause to be amended so that it applies to allotment letters.)

OR

(In cases where the Bank or Issuing House are also Registrars of the Stock.)

Bank  
The .....Issuing House are the duly appointed Registrars of the Stock.

The Registrar will not register or inscribe any person as a holder of the Stock except on surrender for cancellation of fully-paid Scrip Certificates for that amount. Provided that if a Scrip Certificate is lost or destroyed the Registrar may not earlier than the first day on which Scrip Certificates can be lodged for registration or inscription register or inscribe a person claiming to be the holder of the lost or destroyed Scrip upon such indemnity being given as may be required.

NOTE.—

- (1) If Scrip Certificates are not to be issued amend by substituting "fully-paid allotment letters" for "Scrip Certificates."
- (2) This Clause will not be required in cases where the Local Authority themselves carry out the issue of the allotment letters and Scrip Certificates and the Registrar of the Stock is their officer. In such a case it will be sufficient to state the fact.

B In the absence of any Prospectus publicly advertised in this Country, or Circular to Shareholders, the Committee will also require an advertisement in two leading London Morning papers giving all material conditions relating to the formation of the Company and to the flotation of the Issue, and headed as under:—

"This notice is not an invitation to the Public to subscribe, but is issued in compliance with the Regulations of the Committee of The Stock Exchange, London, for the purpose of giving information to the Public with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information given."

The advertisement must be in the appropriate form II, III, or IV herein.

A copy of the advertisement must be signed by or (with the consent of the Committee) on behalf of all the Directors and a signed copy together with a properly certified copy of the Resolution of the Board of the Company approving and authorising the advertisement must be lodged with the Share and Loan Department, except that in the case of Foreign Companies the Committee may dispense with a copy of the advertisement so signed on receiving satisfactory evidence that it has been approved and authorised by a Resolution of the Board of the Company.

A copy of each of the Newspapers in which the advertisement appears must be supplied.

I.

In the case of a Company (other than a Company incorporated by Special Act of Parliament): (a) no part of whose Share or Loan Capital is already dealt in or quoted on The Stock Exchange, and (b) whose Annual Accounts for at least two years have not been made up and audited, the statement required to be advertised by Appendix 34B must contain the following information:—

- (1) How, when and where the Company was incorporated.
- (2) The principal objects of the Company.

- (3) In the case of a Company not incorporated in the United Kingdom, whether it has or has not a place of business in the United Kingdom, and the address of the principal place of business in the United Kingdom (if any).
- (4) The names, addresses and descriptions of the Directors.
- (5) The name, address and professional qualification of the Auditors.  
NOTE.—Qualification means Chartered Accountant, Incorporated Accountant, etc.
- (6) The names and addresses of the Bankers, London Brokers and Secretary and situation of Registered Office.
- (7) The nominal capital of the Company, the amount issued or agreed to be issued, the amount paid up and, where there is more than one class of share, the rights of each class of share as regards dividend, capital and voting.
- (8) Particulars of any loan capital created and the amount issued and outstanding or agreed to be issued, and of the rights conferred upon the holders thereof and the obligations undertaken by the Company in respect thereof, and short particulars of any mortgages and charges subsisting on any part of the Company's assets.
- (9) In the case of Share or Loan Capital issued or agreed to be issued for cash, the price and terms upon which the same has been or is to be issued and (if not already fully-paid) the dates when instalments are payable with the amount of all calls or instalments in arrear.
- (10) The provisions of the Articles of Association, Bye-Laws or other corresponding document with regard to:—
  - (a) Qualification of Directors.
  - (b) Remuneration of Directors or other similar body.
  - (c) Any provisions enabling the Directors to vote remuneration to themselves or any members of their body.
  - (d) Any provisions with regard to the borrowing powers of the Directors and how such borrowing powers can be varied.
- (11) Particulars of any preliminary expenses incurred or proposed to be incurred.
- (12) A statement setting out clearly the working capital with which the Company started or is to start business, additions (if any) since made and whence derived, and the amount available at the date of the statement for working capital, after providing for all purchase considerations, promotion profits, preliminary expenses, losses, and interest or dividend payments to date, with a statement by the Directors that in their opinion the working capital available is sufficient or, if not, how it is proposed to provide the additional working capital thought by the Directors to be necessary.
- (13) Particulars of the Share or Loan Capital that has been issued or is proposed to be issued fully or partly paid up otherwise than in cash and the consideration for which the same has been issued or is proposed to be issued.

- (14) The names and addresses of the vendors of any property purchased or acquired by the Company or proposed to be purchased or acquired on capital account and the amount paid or payable in cash, shares or securities to the vendor and, where there is more than one separate vendor or the Company is a sub-purchaser, the amount so paid or payable to each vendor and the amount (if any) payable for goodwill.
- (15) The amount of any cash, shares or securities paid or proposed to be paid to any Promoter and the consideration for such payment.
- (16) Particulars of any commissions, discounts, brokerages or other special terms granted to any persons in connection with the issue or sale of any of the Share or Loan Capital of the Company.
- (17) A statement of the issued Share Capital of any Company acting as Promoter or principal underwriter; the amount paid up thereon; the date of its incorporation; the names of its Directors, Bankers and Auditors; and such other particulars as the Committee think necessary in connection therewith, unless particulars of such Company are contained in the issue of the "Stock Exchange Official Intelligence" current at the date of the publication of this advertisement.
- (18) The dates of and parties to all material contracts with a description of the nature of the contracts not being contracts entered into in the ordinary course of the business carried on or intended to be carried on by the Company.
- (19) Particulars of any of the Share or Loan Capital of the Company which is under option, or agreed to be put under option, with the price and term of the option and consideration for which the option was granted.
- (20) Full particulars of the nature and extent of the interest (if any) of every Director in the promotion of, or the property proposed to be acquired by, the Company, and, where the interest of such a Director consists of being a partner in a firm, the nature or extent of the interest of the firm.
- (21) A statement of all sums paid or agreed to be paid to any Director or to any firm of which he is a member in cash or shares or otherwise by any person either to induce him to become or to qualify him as a Director or otherwise for services rendered by him or by the firm in connection with the promotion or formation of the Company.
- (22) A statement certified by the Company's Auditors as to the periods (if any) for which the Company's accounts have been made up and audited and particulars of the Share or Loan Capital subscribed and the cash actually received by the Company in connection therewith, also particulars of all dividends paid and amounts carried forward and carried or proposed to be carried to reserve out of the profits of any such periods as shown in the accounts submitted to the Shareholders or in the Directors' Reports attached to the Balance Sheet under Section 123 (2) of the Companies Act, 1929.
- (23) A copy of the last audited Balance Sheet and Profit and Loss Account with a copy of the Auditors' Certificate and any notes or observations in or on the Balance Sheet required to be published by any Act of Parliament relating to the Company.

- (24) If the Company has acquired or is proposing to acquire any business, a report by the Accountants named in the advertisement upon the profits of the business proposed to be acquired for each of the three financial years for which accounts have been made up immediately preceding the date of the advertisement.
- (25) A reasonable time (not being less than seven days) during which and a place in the City of London at which a copy of the Memorandum and Articles of Association of the Company, any Statute or Orders having statutory effect affecting the Company, copies of all material contracts, Trust Deed (if any) referred to in the advertisement, and copies of all the audited accounts of the Company since its formation with the Auditors' certificates, copies of all other reports and Accounts referred to in the advertisement and all notes or information required to be given by the Companies Act affecting such accounts can be inspected by any member of the Public during usual business hours.

NOTE 1.—In the case of foreign Companies, the documents to be offered for inspection will be the documents corresponding to those above mentioned in the case of British Companies, and where such documents are not in the English language notarially certified translations thereof must be available for inspection.

NOTE 2.—In cases where it is contended that contracts cannot be offered for inspection without disclosing to trade competitors important information which might be detrimental to the Company's interests, application can be made to the Committee to dispense with the offering of such documents for inspection.

NOTE 3.—In any case where information is not given under any of the above heads Nos. 11, 13, 14, 15, 16, 19, 20 and 21, the advertised particulars must state that no such payments have been made or explain why the information is not given.

## II.

In the case of a Company (other than a Company incorporated by Special Act of Parliament): (a) no part of whose Share or Loan Capital is already dealt in or quoted on The Stock Exchange; and (b) whose annual accounts for at least two years have been made up and audited, the statement required to be advertised by Appendix 34B must contain the following information:—

- (1) How, when and where the Company was incorporated.
- (2) The principal objects of the Company.
- (3) In the case of a Company not incorporated in the United Kingdom, whether it has or has not a place of business in the United Kingdom and the address of the principal place of business in the United Kingdom (if any).
- (4) The names, addresses and descriptions of the Directors.
- (5) The name, address and professional qualification of the Auditors.  
Note.—Qualification means Chartered Accountant, Incorporated Accountant, etc.
- (6) The names and addresses of the Bankers, London Brokers and Secretary and the situation of the registered office.

- (7) The nominal capital of the Company, the amount issued or agreed to be issued, the amount paid up and, where there is more than one class of share, the rights of each class of share as regards dividend, capital and voting.
- (8) Particulars of any Loan Capital created and the amount issued and outstanding or agreed to be issued and of the rights conferred upon the holders thereof and the obligations undertaken by the Company in respect thereof and short particulars of any mortgages and charges subsisting upon any part of the Company's assets.
- (9) In the case of Share or Loan Capital issued or agreed to be issued for cash within twelve months of the date of the advertisement, the price and terms upon which the same has been or is to be issued, and if not already fully paid the dates when instalments are payable with the amount of all calls or instalments in arrear.
- (10) The provisions of the Articles of Association, Bye-Laws or other corresponding document with regard to the borrowing powers of the Directors and how such borrowing powers can be varied.
- (11) A statement that in the opinion of the Directors the Company has sufficient working capital for the purposes of its business or, if not, showing how the necessary working capital is to be provided.
- (12) Particulars of the Share or Loan Capital that has, within two years preceding the date of the advertisement, been issued or is proposed to be issued fully or partly paid up otherwise than in cash and the consideration for which the same has been issued or is proposed to be issued.
- (13) The names and addresses of the vendors of any property purchased or acquired by the Company or proposed to be purchased or acquired on capital account within two years preceding the date of the advertisement and the amount paid or payable in cash, shares or securities to the vendor and, where there is more than one separate vendor or the Company is a sub-purchaser, the amount so paid or payable to each vendor and the amount (if any) payable for goodwill.
- (14) Particulars of any commissions, discounts, brokerages or other special terms granted within two years preceding the date of the advertisement to any persons in connection with the issue or sale of any stocks, shares or securities of the Company.
- (15) The dates of and parties to all material contracts with a description of the nature of the contract entered into within the two years preceding the date of the advertisement not being contracts entered into in the ordinary course of the business carried on or intended to be carried on by the Company.
- (16) Particulars of any of the Share or Loan Capital of the Company which is under option, or agreed to be put under option, with the price and term of the option and consideration for which the option was granted.
- (17) Either a copy or with the approval of the Committee a summary of the last audited Balance Sheet and Profit and Loss Account with a copy of the Auditors' certificate and any notes or observations in or on the Balance Sheet required to be published by any Act of Parliament relating to the Company.

(18) A statement certified by the Company's Auditors giving particulars of the Share or Loan Capital subscribed and the cash actually received by the Company in connection therewith within twelve months preceding the date of the advertisement, also particulars of all dividends paid and amounts carried forward or carried, or proposed to be carried, to reserve out of the profits as shown in the accounts submitted to the shareholders or in the Directors' Reports attached to the Balance Sheet under Section 123 (2) of the Companies Act, 1929, in respect of each of the two financial years preceding the advertisement for which accounts have been made up and audited.

(19) A reasonable time (not being less than seven days) during which, and a place in the City of London at which a copy of the Memorandum and Articles of Association of the Company, any Statute or Order having statutory effect affecting the Company, copies of all material contracts, Trust Deed (if any) referred to in the advertisement, and copies of the audited accounts of the Company for each of the two financial years preceding the date of the advertisement for which accounts have been made up and audited with the Auditors' certificates, copies of all other Reports and Accounts referred to in the advertisement, and all notes or information required to be given by the Companies Act affecting such accounts can be inspected by any member of the public during usual business hours.

NOTE 1.—In the case of foreign Companies the documents to be offered for inspection will be the documents corresponding to those above mentioned in the case of British Companies, and where such documents are not in the English language notarially certified translations thereof must be available for inspection.

NOTE 2.—In cases where it is contended that contracts cannot be offered for inspection without disclosing to trade competitors important information which might be detrimental to the Company's interests, application can be made to the Committee to dispense with the offering of such documents for inspection.

NOTE 3.—In any case where information is not given under any of the above heads Nos. 12, 13, 14 and 16, the advertised particulars must state that no such payments have been made or explain why the information is not given.

### III.

In the case of a Company (other than a Company incorporated by Special Act of Parliament) where Leave to Deal in or a quotation for any of its Share or Loan Capital has already been granted, the statement required to be advertised by Appendix 34B must contain the following information :—

(1) Full particulars of the further Share or Loan Capital in which Leave to Deal is to be applied for, and in particular :—

(a) In the case of Stocks or Shares the rights conferred as regards income, capital and voting. In the case of Debentures, Debenture Stock, or Securities, the rights conferred as regards income and capital, and full information as to the amount and application of any sinking fund, any right of the Company to redeem before maturity, any rights of conversion, or other similar rights, and in either case the limits of the authorised issue.

- (b) The price at which and terms upon which such Share or Loan Capital has been issued or agreed to be issued and whether the same has or has not been paid up in full. If not paid in full, particulars of all payments still to be made with due dates of payment. Where any such Share or Loan Capital has been or is to be issued in whole or in part for a consideration other than cash, full particulars of the consideration received or receivable by the Company for the issue thereof must be given.
- (c) Particulars of any commissions, discounts, brokerages or other special terms granted to any parties in connection with the issue or sale of any such Stocks, Shares or Securities.
- (d) The dates of and parties to all material contracts affecting the issue of such Share or Loan Capital with a description of the nature of the contract.
- (e) A reasonable time (not being less than seven days) during which and a place in the City of London at which a copy of the Memorandum and Articles of Association of the Company, any Statute or Order having statutory effect affecting the Company, copies of all the contracts and Trust Deed (if any) referred to in the advertisement can be inspected by any member of the public during usual business hours.
- (2) Particulars of any of the Share or Loan Capital of the Company which is under option or agreed to be put under option with the price and term of option and consideration for which the same was granted.
- (3) Names of the Directors of the Company.
- (4) Name, address and professional qualification of the Auditors of the Company.  
NOTE—Qualification means Chartered Accountant, Incorporated Accountant, etc.
- (5) Names of London Brokers.
- (6) A statement that further particulars of the Company are contained in the "Stock Exchange Official Intelligence" current at the date of the publication of this advertisement.
- (7) Such other information as in the circumstances of any particular case the Committee think it advisable to require.

#### IV.

In the case of Government and Municipal loans and issues by Statutory Boards, Companies incorporated by Special Act of Parliament and other similar Authorities, the statement required to be advertised by Appendix 34B must contain the following information:—

- (1) Full particulars of the Share or Loan Capital in which Leave to Deal is to be applied for and in particular:—
  - (a) The rights conferred as regards income and capital, with full information as to the amount and application of any sinking fund, any right of the Authority to redeem before maturity, any rights of conversion, or other similar rights and the security upon which any loan is charged.

- (b) The price at which and the terms upon which any such Share or Loan Capital has been issued or agreed to be issued, and whether the same has or has not been paid up in full. If not paid in full, particulars of all payments still to be made with due dates of payment must be given.
- (c) The dates of and parties to all material contracts affecting the issue of such Share or Loan Capital with a description of the nature of the contract.
- (d) A reasonable time (not being less than seven days) during which and a place in the City of London at which a copy of the Statutes, Orders, or other authorities under which the Share or Loan Capital has been created and issued, with copies of all the material contracts, Trust Deed (if any) above referred to and, where any of the above-mentioned documents are not in the English language, notarially certified translations thereof, can be inspected by any member of the public during usual business hours.
- (2) Particulars of any of the Share or Loan Capital which is under option or agreed to be put under option with the price and terms of option and consideration for which the same was granted.
- (3) Names of Directors (if any) and Auditors (if any) stating qualification.  
NOTE.—Qualification means Chartered Accountant, Incorporated Accountant, etc.
- (4) Name and address of Secretary (if any) and situation of Chief Office (if any).
- (5) Name of Bankers and London Brokers.

#### OFFICIAL QUOTATIONS.

##### APPENDIX 35 A, B, C, D and E.

##### A CONDITIONS PRECEDENT TO AN APPLICATION FOR OFFICIAL QUOTATION.

(Rule 162.)

- (1) That the Memorandum, Articles of Association, Bye-Laws or Charter of Incorporation, and Trust Deed (in the case of an Application for Debentures or Debenture Stock so secured), or other authority under which the Share or Loan Capital has been created and issued shall be in a form approved by the Committee.

- (2) That the Stock Certificate, Share Certificate, Debenture, Bond or other document representing the Security shall be in a form approved by the Committee.

NOTE.—The relevant documents referred to in 1 and 2 above must be submitted (in duplicate) to the Secretary of the Share and Loan Department for approval before application for Official Quotation is formally made.

- (3) That Permission to Deal in the Security shall have been given or that (prior to August, 1914) a Special Settling Day in the Security had been fixed. In the case of Securities dealt in prior to

August, 1914, and for which no Special Settling Day had been fixed, or Permission to Deal granted, enquiry should first be made of the Secretary of the Share and Loan Department to ascertain the requirements under this heading.

- (4) That two-thirds of the issue for which application for Official Quotation is made, whether such issue be the whole or part of the authorised amount, shall have been applied for by and unconditionally allotted to the Public, any part of the issue made in lieu of money payments not being considered to form part of the public allotment.
- (5) That the Definitive Stock or Share Certificate, Debenture Bond or other Security shall have been or shall be ready to be delivered.
- (6) That at least the first Annual Report and Accounts shall have been issued. (This condition does not apply to Government and Municipal Loans and the like.)
- (7) That there is sufficient public interest in the Security, and that it is of sufficient magnitude and importance.

## B

## ARTICLES OF ASSOCIATION

Articles of Association must contain provisions to the following effect:—

- (1) That Directors must hold a share qualification which must not be merely nominal.
- (2) That the borrowing powers of the Board are limited to a reasonable amount.
- (3) That the non-forfeiture of dividends is secured.
- (4) That the common form of transfer shall be used, and that there shall not be any restriction on the transfer of fully-paid Shares.
- (5) That all forms of Certificate for Shares, Stock, Debenture Stock, or representing any other form of Security (other than Letters of Allotment or Scrip Certificates) shall be issued under the Common Seal of the Company, and shall bear the autographic signatures of one or more Directors and the Secretary.
- (6) That fully-paid Shares shall be free from all lien.
- (7) That a Director shall not vote on any contract in which he is interested and if he do so vote his vote shall not be counted.
- (8) That the Directors shall have power at any time and from time to time to appoint any other person as a Director either to fill a casual vacancy or as an addition to the Board, but so that the total number of Directors shall not at any time exceed the maximum number authorised by the Articles of Association; but that any Director so appointed shall hold office only until the next following Ordinary General Meeting of the Company and shall then be eligible for re-election.
- (9) That the Company in General Meeting shall have power by Extraordinary Resolution to remove any Director before the expiration of his period of office.
- (10) That a printed copy of the Report, accompanied by the Balance Sheet (including every document required by law to be annexed

thereto) and Profit and Loss Account or Income and Expenditure Account, shall at least seven days previous to the General Meeting, be delivered or sent by post to the registered address of every member, and that three copies of each of these documents shall at the same time be forwarded to the Secretary of the Share and Loan Department, The Stock Exchange, London.

- (ii) That any amount paid up in advance of calls on any Share shall carry interest only and shall not entitle the holder of the Share to participate in respect thereof in a dividend subsequently declared.
- (i2) That where a Company takes power to refuse to register more than three persons as joint holders of a Share such power shall not apply to the executors or trustees of a deceased holder.
- (i3) That the charge for a new Share Certificate issued to replace one that has been worn out, lost or destroyed, shall not exceed one shilling.

**NOTE.**—The above requirements are not exhaustive. The Committee will take exception to any provisions contained in the Articles of Association which may, in any way, restrict free dealings in the Shares or which may, in the Committee's opinion, be unreasonable in the case of a Public Company.

#### C TRUST DEEDS AND DEBENTURES NOT SECURED BY TRUST DEED

Trust Deeds and Debentures not secured by a Trust Deed must contain provisions to the following effect:—

- (i) Where provision is made that the Security shall be repayable at a premium either at a fixed date or at any time upon notice having been given, it must be provided that, should the Company go into voluntary liquidation, the Security shall not be repayable at less than the premium then current.
- (2) That any new Trustee appointed under any statutory or other power must prior to appointment be approved by a Resolution of the Debenture (or Debenture Stock) Holders by Extraordinary Resolution. A Corporation or Company may be appointed a Trustee. Except where the Trustee or one of the Trustees is a Body Corporate, the Trust Deed shall provide that there shall always be at least two Trustees.
- (3) That a meeting of Debenture (or Debenture Stock) Holders must be called on a requisition in writing signed by holders of at least one-tenth of the nominal amount of the Debenture (or Debenture Stock) for the time being outstanding.
- (4) The clause defining an Extraordinary Resolution must provide:—
  - (i) That the quorum for passing such resolution shall be the holders of a clear majority in value of the whole of the outstanding Debentures (or Debenture Stock) present in person or by proxy. If such a quorum be not obtained, provision may be made for the adjournment of the meeting for not less than 14 days, and in that event that notice of the adjourned meeting shall be sent to every Debenture (or Debenture Stock) Holder, and that such notice shall state that if a quorum as above defined shall not be present at the adjourned meeting, the Debenture (or Debenture Stock) Holders then present will form a quorum.

- (ii) That the necessary majority for passing an Extraordinary Resolution shall be not less than three-fourths of the persons voting thereat on a show of hands and if a poll is demanded then not less than three-fourths of the votes given on such a poll.
- (iii) That on a poll, each holder of Debentures or Debenture Stock shall be entitled to at least one vote in respect of every £10 of Debentures or Debenture Stock held by him, except that where the lowest denomination in which such Securities can be transferred is more than £10, such denomination may be substituted for the £10 above referred to.
- (5) That on any payment off of part of the amount due on the Security, unless a new document is issued, a note of such payment shall be en-faced (not endorsed) on the document.
- (6) That in the case of a Registered Security the common form transfer shall be used and the fee for a new registered Debenture, or Debenture Stock Certificate to replace one that has been worn out, lost or destroyed shall not exceed one shilling.
- (7) In the case of Securities which are entitled "Mortgage" it is essential that the same should be secured to a substantial extent by a direct specific mortgage on freehold or long leasehold estate or other immovable property or on ships. In the case of Debentures or Debenture Stocks or other issues which will constitute an unsecured liability, it is essential that the same should be entitled "unsecured."

**NOTE.—**The above requirements are not exhaustive. The Committee will take exception to any provision contained in the Trust Deed or Debentures which may, in any way, restrict free dealings or which may, in the Committee's opinion, be unreasonable in the case of a security to be included in the Official List.

## D

## DEFINITIVE DOCUMENTS.

## I.—SHARE AND STOCK CERTIFICATES AND DEBENTURES

- (1) All Certificates or Debentures must state on their face the authority under which the Company is constituted and the amount of Authorised Capital of the Company.
- (2) All Registered Certificates or Debentures must bear a footnote that no transfer of any portion of the holding can be registered without the production of the Certificate.
- (3) Where the Capital of the Company consists of more than one class of Shares of the same denomination, the distinctive numbers of the Shares of each class must be printed on the face of the Share Certificates.
- (4) All Certificates and Debentures must be under seal and bear the requisite autographic signatures.
- (5) All Preference Share (or Stock) Certificates must, in addition, bear (preferably on their face) a statement of the conditions both as to Capital and dividends and redemption (if any) under which the Security is issued.

(6) Debentures and Debenture Stock Certificates must state, in addition, on their face, the dates when the interest is payable and the authority under which the issue is made (*i.e.*, Articles of Association and Resolutions of Shareholders and Directors) and on their back all conditions of the issue, as to redemption, conversion and transfer.

## II.—BONDS.

- (1) Bonds must specify the amount and conditions of the loan and the powers under which it has been contracted.
- (2) Bonds of English Companies must be under the Common Seal and bear the requisite autographic signatures.
- (3) When an issue of Dominion, Colonial or Foreign Bonds is made wholly or partly in London, those issued in London must bear the autographic counter-signature of the London Agents or Contractors.
- (4) Bonds quoted abroad must bear the autographic signature of some properly authorised person and evidence of his authority must also be furnished.

E

On receipt of intimation that the relevant documents submitted to the Secretary of the Share and Loan Department and referred to in A.1 and 2 are in order, and on written request to the Secretary of the Share and Loan Department giving particulars of the Security for which Official Quotation is desired, an application form will be provided which must be signed, and a note of the further requirements of the Committee will then be supplied by the Share and Loan Department. These further requirements will include:—

- (1) Production of the Certificate of Incorporation and Certificate that the Company is entitled to commence business (unless previously exhibited).
- (2) A Certified Copy of the Memorandum and Articles of Association or Act of Parliament or any other relative documents affecting the constitution of the Company, and, in the case of Debenture Stock or Debentures, a Certified Copy of the Trust Deed (if any) securing the same must be supplied and the Official Certificate showing that the requirements of the Companies Act with regard to the registration of charges have been complied with must be produced.

**NOTE.**—In the case of Foreign Companies, notarially certified copies of the corresponding documents to those above referred to will be required and in the case of issues of Debentures or Debenture Stock of Foreign Companies, evidence must be furnished as to the requirements of the foreign law with regard to the registration of mortgages and charges and compliance therewith.

- (3) Certified Copies of all Prospectuses, Offers for Sale, Advertisements under Appendix 34B, Circulars issued, or Resolutions passed.
- (4) Certified Copies of the definitive document and temporary documents.

- (5) Certified Copies of all material contracts, agreements, concessions and other similar documents.
- (6) Certified Copy of the last published Report and Accounts.
- (7) A short written history of the Company setting forth its origin, progress, dividends, particulars as to the various issues of Shares, etc.; the number of transfers registered during the preceding twelve months, and the number of Shares (or amount of Stock) represented by such transfers.
- (8) A Statutory Declaration by the Chairman and Secretary to the effect that:—
  - (a) All the legal requirements have been complied with, and all documents required to be filed have been duly filed with the Registrar of Companies. In the case of an English Company charging property abroad, that the necessary mortgage has been properly legalised and registered in the country where the property is situated.
  - (b) The number (or amount of Stock) of Shares, Debentures or Bonds applied for by the Public, the number (or amount of Stock) of Shares, Debentures or Bonds unconditionally allotted to the Public and the amount per Share (or £—%) paid thereon in cash, and the number (or amount of Stock) of Shares, Debentures or Bonds allotted for a consideration other than cash. Where any calls or instalments are in arrear particulars must be given.
  - (c) That the definitive documents have been or are ready to be delivered, that the purchase of the property has been completed and the purchase money paid; that the whole of the Shares, Debentures (or Stock) are (or is) in all respects identical.\* (If applicable) That a Trust Deed has been executed and completed and the effect thereof and the nature of the charge created thereby.
  - (d) In the case of an issue of Stock, Registered Debentures, or Bonds, the total number of allottees and the largest amount applied for by and allotted to any one applicant.

\* A statement that Shares are in all respects identical is understood to mean that:—

They are of the same nominal value, and that the same amount per Share has been called up.

They carry the same rights as to unrestricted transfer, attendance and voting at meetings, and in all other respects.

They are entitled to dividend at the same rate and for the same period, so that at the next ensuing distribution the dividend payable on each Share will amount to exactly the same sum.

A statement that Stock is in all respects identical is understood to mean that:—

All the Stock is entitled to the same rights as to unrestricted transfer, and in all other respects.

All the Stock is entitled to dividend at the same rate and for the same period, so that at the next ensuing distribution the dividend payable on each £100 Stock will amount to exactly the same sum.

- (9) A Certified Copy of the Register of Share, Stock, or Debenture Holders (names, addresses and holdings) with a statement of the total number of Share, Stock, or Debenture Holders and the ten largest holdings of each class. In cases where there are a very large number of Share, Stock, or Debenture Holders, the Committee may not require a Certified Copy of the Register.
- (10) An undertaking under the seal of the Company forthwith upon any alteration being made in the Memorandum or Articles of Association, Act of Parliament or any other document affecting the constitution of the Company, or in the form of any Trust Deed securing Debentures or Debenture Stock or in any Debentures, to send to the Secretary of the Share and Loan Department full information of the effect of such alteration and certified copies of all material documents relating thereto and contemporaneously with the issue of any further Shares or Loan Capital of the Company, whether the same is for public subscription or not, to advise the Secretary of the Share and Loan Department thereof and to furnish him with all such particulars relating thereto as the Committee may require.
- (11) A letter nominating a Broker, a Member of the Stock Exchange, to represent the interests of the Company before the Committee.
- (12) In the case of an issue of a Government, Municipal, Dominion, Colonial and Foreign Loan:—
  - (a) Authority of the Issuing House to receive subscriptions, and
  - (b) In addition, in the case of Dominion, Colonial and Foreign Loans, evidence that the Bonds of the Loan bear the auto-graphic signature of some properly authorised person, whose specimen signature and authorisation must be supplied for retention by the Department.
- (13) In the case of a reconstructed Company, a short history of the old and new Company, and Certified Copy of the Scheme of Reconstruction, and evidence that any necessary Orders of Court have been obtained.
- (14) In the case of Dominion, Colonial and Foreign Securities quoted abroad, official evidence of quotation in the Country of their origin or where the issue has been made.
- (15) Documents not in the English language must be accompanied by notarially certified translations.

## APPENDIX B.

### FORMS.

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**Form No. 1.****Underwriting contract (offer for sale of debenture stock).**

This form to be sent with a deposit of — per cent. on the Debenture Stock underwritten, to Messrs. \_\_\_\_\_, London, E.C.

No cheques, other than those in respect of firm underwriting, will be cashed unless Underwriters are called upon to take up Debenture Stock.

**THE COMPANY, LIMITED.**

**PROPOSED OFFER FOR SALE**

**of £—— — % First Mortgage Redeemable Debenture Stock  
AT — PER CENT.**

**FORM OF UNDERWRITING CONTRACT.**

To MESSRS. \_\_\_\_\_ E.C.

DEAR SIRS,

I/We undertake for the consideration and on the conditions below stated to purchase or find responsible purchasers to your satisfaction for \_\_\_\_\_ of the above Debenture Stock on the terms of the Draft Particulars which you contemplate issuing and which have been submitted to me/us, and now hand you a cheque(s) for \*£\_\_\_\_\_ being the amount payable on application in respect of the Debenture Stock underwritten by me/us.

I/We desire a firm allotment of \_\_\_\_\_ of the Debenture Stock underwritten by me/us and now hand you an application for same. I/We undertake on demand to put in an application for the balance of the Debenture Stock underwritten by me/us in the form issued with the particulars on the public offer of Debenture Stock for sale by you. Should I/we fail to do so I/we hereby irrevocably authorise you or any of your partners to sign and put in such application on my/our behalf.

**CONDITIONS.**

1. If the whole of the Debenture Stock is sold by you in response to applications received on the said public offer on or before the closing of the list my/our responsibility is to cease and I am/we are not to be required to take up any of the Debenture Stock underwritten by me/us, but if the whole of the said Debenture Stock is not so sold then all sales made by you to the public are to be applied rateably in reduction of my/our liability *pari passu* with all other Underwriters having similar contracts to this for which purposes you are to be treated as Underwriters for any part of the offer for which you have not obtained other Underwriters.

2. I/We undertake to pay on the due dates all moneys payable in accordance with the terms of the said public offer in respect of any Debenture Stock allotted to me/us.

3. You are within — days of the closing of the lists of the said public offer to pay me/us an underwriting commission of — per cent. on the nominal amount of the Debenture Stock underwritten by me/us whether I am/we are required to accept an allotment or not, but if an allotment is made to me/us no commission is to be payable until the moneys payable on acceptance by me/us have been paid and you may apply the commission in or towards payment of such moneys.

4. My/Our obligation hereunder is to hold good notwithstanding any variation between the particulars of sale as advertised and the draft shewn to me/us provided that the amount of Debenture Stock offered for sale, the rate of interest thereon and the price at which the offer is made are not altered.

5. This Contract is conditional on the Debenture Stock being offered for sale to the public not later than —, 19—, and unless such offer is made this Contract shall be void.

6. Any notice to me/us may be served by sending the same to the subjoined address through the ordinary post and shall be deemed to be served on the day following that on which it is posted.

7. Debenture Stock which may be allotted in response to applications for firm allotments by Underwriters will be deducted from the total issue and the Debenture Stock allotted to the public will be applied in relief of the Underwriters of the balance of the issue after deducting Debenture Stock allotted in respect of firm applications by Underwriters.

Dated....., 19—.

Signature of Underwriter.....

6d.

STAMP.

Address.....

We agree to the above terms for and on behalf of \_\_\_\_\_.

Dated....., 19—.

\* Underwriters desiring a firm allotment in respect of a part of the Stock underwritten should send two cheques one in respect of the amount for which they desire a firm allotment and the other in respect of the balance of the Stock underwritten.

APPENDIX B

**Form No. 2.**

**Sub-underwriting letter (issue of shares).**

**THE COMPANY, LIMITED.**

**SHARE CAPITAL - £-**  
DIVIDED INTO  
— Shares of — each.

**Issue of Shares of each at per Share.**

**SUB-UNDERWRITING LETTER.**

To MESSRS. —————

GENTLEMEN,

I/We hereby agree to underwrite £————— of the above issue of shares, and I/we hand you herewith a cheque for £————— being — per share payable on application in respect thereof, and I/we agree to accept an allotment of any shares that may be allotted to me/us in respect of such underwriting and to pay all subsequent instalments due in respect thereof in accordance with and on the terms mentioned in the Prospectus as issued to the public.

I/We hereby irrevocably authorise you or any partner in your firms in my/our name and on my/our behalf to sign and put in an application for the same or any smaller number of shares and to conclude on my/our behalf an agreement with the Company to take the said shares or any part thereof and to pay all moneys that may become due in respect of the same which moneys I/we undertake to repay to you on demand with interest thereon at the rate of — per cent. per annum from date of payment to date of repayment.

It is understood that to the extent to which allotments are made to the public I am/we are to be relieved of my/our underwriting obligations hereunder proportionately as nearly as may be with the other sub-underwriters of the said issue for which purpose you yourselves are to be treated as sub-underwriters for any part of the issue for which you have not procured sub-underwriters.

Firm applications by me/us or other sub-underwriters are not to be treated as applications by the public but allotments made thereon are to be applied exclusively in relief of the sub-underwriters by whom they were put in.

In the event of a general allotment of the said shares being made you are within — days of such allotment to pay or procure the Company to pay me/us a commission of — per cent. in cash on the nominal amount of the shares underwritten by me/us and it is understood that I/we shall not claim any brokerage in respect of the shares allotted to me/us in response to my/our application above referred to.

I/We hereby authorise you to agree with the Company the form of the Prospectus which is to be issued to the public offering the said shares for subscription and my/our obligations hereunder are to hold good notwithstanding any alteration that may be made in the draft Prospectus that has been shown to me/us provided that the total amount of the shares offered for subscription and the price of issue are not altered.

If a Prospectus offering the said shares for subscription has not been issued within — days from the date hereof you are to return me/us my/our application and cheque and this Agreement will thereupon become void.

Any notice to me/us may be served by sending the same through the post to the subjoined address, and shall be deemed to be served on the day when in the ordinary course of post the letter would reach such address.

Unless written notice of non-acceptance is received by me/us from you this contract shall be deemed to have been accepted and your signature at the foot hereof shall be sufficient notice to me/us of your acceptance.

You may accept my/our underwriting for a less amount than the whole, but in that case you are to notify me/us of the amount for which my/our underwriting has been accepted.

Dated....., 19—.

Signature.....

6d.

STAMP.

Name in full.....

Address .....

Title or Occupation

We accept the above underwriting for £....

**Form No. 3.****Underwriters' application form (offer for sale of shares).**

No..

U

**THE****COMPANY.**

(A Limited Liability Company incorporated under the Laws of .)

**OFFER FOR SALE OF  
— Ordinary Shares of —— each.  
AT THE PRICE OF £— PER SHARE.**

**FORM OF APPLICATION.**

To ——— BANK, LTD.,  
LONDON, E.C.

GENTLEMEN,

I/We herewith enclose cheque for £....., being a deposit of ..... per share for ..... shares of ..... each in the above Company. I/We offer to purchase that number of shares or any smaller number in respect of which your principals may accept this offer, upon the terms of the Offer for Sale as issued and advertised, and to pay the balance due from me/us as specified in the said Offer for Sale. I/We desire to have a firm allotment of \*..... per cent. of the shares applied for.

— per cent.

Dated this ..... day of ....., 19.....

Signature .....

Name (in full)..

(If a lady, please state whether Mrs. or Miss).

PLEASE

WRITE

DISTINCTLY

Address (in full)..

Title or Occupation

Cheques should be drawn payable to "Bank, Ltd., or Bearer" and crossed "Not Negotiable."

Any alteration from "Order" to "Bearer" must be signed by the Drawer.

NO RECEIPT WILL BE ISSUED for payment on application, but an acknowledgment will be forwarded in due course, either by letter of acceptance or by return of deposit.

This Form should be filled up and forwarded to BANK, LTD., LONDON, E.C., together with a remittance for the amount due on application.

**Form No. 4.****Public application form (issue of shares at a premium).**

No.....

**THE COMPANY, LIMITED.**

**ISSUE OF**  
**Shares of — each at — per Share.**

**FORM OF APPLICATION FOR SHARES.***To the Directors of*

THE ————— COMPANY, LIMITED.

GENTLEMEN,

Having paid to your Bankers the sum of £....., being a deposit of — per share on application for.....shares of — each I/we request you to allot to me/us that number of shares upon the terms of the Company's Prospectus dated —————, 19—, and the Memorandum and Articles of Association of the Company and I/we agree to accept the same or any smaller number of such shares that may be allotted to me/us and to pay the balance of — per share by the instalments and on the dates named in the said Prospectus and I/we authorise you to place my/our name(s) on the Register of Members as the holder(s) of the said shares.

Signature .....

Name (in full) .....

Address .....

*Title or Occupation..*

This form should be filled up and forwarded together with a remittance for the amount of the application money to the Bankers of the Company,  
Bank, Limited, London, E.C., or any of its branches.

Cheques should be made payable to Bearer and crossed "Not negotiable." Any alterations must be signed by the Drawer.

NO RECEIPT WILL BE ISSUED for payment on application, but an acknowledgment will be forwarded in due course either by Letter of Allotment, in whole or in part, or by return of deposit.

Applications must be for                shares or multiples of

**ALL APPLICATIONS MUST BE MADE IN THE NAMES OF INDIVIDUALS AND NOT IN THE NAME OF A FIRM.**

**Form No. 6.**

**Public application form (issue of debenture stock).**

No.

# THE COMPANY, LIMITED.

## ISSUE OF

— per cent. First Mortgage Debenture Stock at — per cent.

## **FORM OF APPLICATION FOR DEBENTURE STOCK.**

*To the Directors of*

THE ————— COMPANY, LIMITED.

**GENTLEMEN,**

Having paid to your Bankers the sum of £.....  
being a deposit of — per cent. on application for \*£.....  
of the above mentioned Debenture Stock I/we request you to allot  
me/us that amount of Debenture Stock upon the terms of the Company  
Prospectus, dated —, 19—, and I/we agree to accept the same  
any smaller amount of such Debenture Stock that may be allotted  
me/us and to pay the balance of — per cent. in accordance with the  
terms of the said Prospectus, and I/we authorise you to place my/o  
name(s) on the Register of Debenture Stock as the holder(s) of the sa  
Debenture Stock.

\* Applications must be for multiples of \$10.

Dated this..... day of ..... 19--.

*Signature* .....

Name (in full).....

**PLEASE  
WRITE  
DISTINCTLY**      *Address (in full)*

*Title or Occupation.*

This Form should be filled up and forwarded, together with a remittance for the amount of the Application money, either to **BANK, LIMITED,**  
**London, E.C.** or to **BANK, LIMITED,**  
**London, E.C.** or any of their Branches.

Cheques should be made payable to Bearer and crossed "Not negotiable."  
Any alterations must be signed by the Drawer.

All applications must be in the names of individuals and not in the name of a firm.

An acknowledgment will be forwarded in due course either by Letter or Allotment or return of the Deposit.

**Form No. 7.**Public application form (perforated to facilitate indexing).**THE****COMPANY, LIMITED.****OFFER FOR SALE OF****£——— per cent. First Mortgage Redeemable Debenture Stock,  
AT —— PER CENT.****FORM OF APPLICATION.****To****MESSRS.** \_\_\_\_\_

\_\_\_\_\_, LONDON, E.C.

**GENTLEMEN,**

Having paid the sum of £....., being a deposit of — per cent. for\* £..... of the above Debenture Stock, I/we offer to purchase that amount of Debenture Stock or any smaller amount in respect of which you may accept this offer, upon the terms of the Offer for Sale, dated \_\_\_\_\_, 19\_\_\_\_\_, and I/we agree to pay the balance due from me/us by the instalments as specified in the said Offer for Sale.

Dated this ..... day of ..... 19.....

*Signature.* .....**The lower portion of this form MUST be filled in.**

(PERFORATED)

**NOT TO BE DETACHED.**

BLOCK LETTERS.	Surname .....
	Christian Name(s) .....
	(If a lady, please state whether Mrs. or Miss).
	Address (in full) .....
.....	
Title or Occupation .....	

No. .....

Cheques should be drawn payable to “  
or Bearer” and crossed “Not Negotiable.”

Any alteration from “Order” to “Bearer” must be  
signed by the Drawer.

NO RECEIPT WILL BE ISSUED for payment on applica-  
tion, but an acknowledgment will be forwarded in due  
course, either by letter of acceptance or by return of deposit.

This Form should be filled up and forwarded to Messrs.  
LONDON, E.C., together  
with a remittance for the amount due on application.

Form No. 8.

## **Application and allotment sheet (offer for sale of shares).**

PUBLIC.

COMPANY, LIMITED

**Offer for Sale of \_\_\_\_\_ Shares of \_\_\_\_\_ each @ \_\_\_\_\_ per Share  
APPLICATIONS FOR AND ALLOTMENT OF SHARES.**





**Form No. 11.**

Sub-divided index to applicants.

	NAME	Applicant's Initials	Sheet Number	Acceptance Number	
					A
					E
					I
					O
					U

NOTE.—This is a loose-leaf index book, each letter of the alphabet having a section of several sheets and such sheets being sub-divided by tabs (A E I O U) for purposes of further sub-sorting names.





**Form No. 12 (continued).**  
**(Back of form.)**

**FORM OF RENUNCIATION.**

(Available until

19 ..)

To the Directors of—

THE \_\_\_\_\_ COMPANY, LIMITED.

GENTLEMEN,

I/We hereby renounce my/our right to the within-mentioned allotment of Shares in favour of the parties signing the Registration Application Form below.

Signature of Allottee.....



Date ..... 19 ..

NOTE.—If Shares are renounced, the above Form of Renunciation must be signed over a Sixpenny Stamp by the Allottee. In case of a Joint Allotment, ALL the persons named must sign the Renunciation.

**REGISTRATION APPLICATION FORM.**

(To be signed only by the person(s) to whom the Shares are renounced.)

To the Directors of—

THE \_\_\_\_\_ COMPANY, LIMITED.

GENTLEMEN,

I/We hereby request you to register the within-mentioned Shares in my/our name(s).

Usual Signature .....

Full Name (in Block Capitals) .....

Address .....

Title or Occupation .....

\* For use where Shares  
are to be registered  
in the Names of  
Joint Holders.      { Usual Signature .....

{ Full Name (in Block Capitals) .....

{ Address .....

{ Title or Occupation .....

Unless these Forms, duly filled up and signed by the Allottee(s) over a 6d. stamp and by the party or parties in whose name or names the Shares are to be registered, are lodged at the Registered Office of the Company, \_\_\_\_\_ London, E.C., on or before the \_\_\_\_\_ 19\_\_\_\_\_, the Shares to which this Allotment Letter relates will be registered in the name(s) of the original Allottee(s) and thereafter it will only be possible to transfer such Shares by Transfer on the ordinary common form.

**IMPORTANT.**—It is not necessary for the original Allottee to sign either of the above forms if such Allottee desires to be registered as the holder of these Shares.

**REQUEST FOR SHARE CERTIFICATE.**

To the Secretary,

THE \_\_\_\_\_ COMPANY, LIMITED,

London, E.C.

Please send by post at my risk to the following  
address

hand to the bearer hereof

Share Certificate in exchange for this Letter  
of Allotment.

Signature

Address .....

Date...

## Form No. 13.

Letter of allotment, when an amount is returnable.  
(Issue of shares at a premium.)

[Please quote this number in all correspondence re these Shares.]

THE COMPANY, LIMITED.



REGISTERED OFFICE (*pro tem.*):

LONDON, E.C.  
—, 19—.

LETTER OF ALLOTMENT.

Issue of Shares of each at the price of per Share.

DEAR SIR(S) OR MADAM,

In response to your application I am instructed to inform you that the Directors have allotted to you... Shares of the above Issue in terms of the Prospectus dated —, 19—, and of the Memorandum and Articles of Association of the Company.

The total amount payable on Application and Allotment (including — per Share  
in respect of premium) is .. . : .. . : .. . : .. . : £ : : :  
Of which you have paid on Application .. . : .. . : .. . : .. . : £ : : :  
Leaving a balance to be refunded to you of .. . : .. . : .. . : .. . : £ : : :  
for which a cheque is attached hereto

Further Instalments will be payable to the Company's Bankers as follows:—  
2nd Instalment, — per Share, on —, 19— .. . : .. . : .. . : £ : : :  
3rd (Final) Instalment, — per Share, on —, 19— .. . : .. . : .. . : £ : : :

Payment in full may be made on Allotment or at any time thereafter, and Interest at the rate of — per cent. per annum will be paid by the Company on sums paid in advance of the due dates.

Deduction for Interest MUST NOT be made by the Allottee when making such payment. The Company will send a remittance for the amount due as soon as possible.

Interest at the rate of — per cent. per annum may be charged on all Instalments not paid on the due date, and failure to pay any Instalment will render the Shares liable to forfeiture.

Letters of Allotment can be split on presentation at the Registered Office of the Company.

Due notice will be given when this Letter of Allotment and Bankers' Receipts for payment in full can be exchanged for the relative Share Certificate.

For and on behalf of  
THE COMPANY, LIMITED,

Secretary (*Pro tem.*).

To .. .

BANKERS' RECEIPTS.

3 Received from the above-named Allottee the  
Third (Final) Instalment due on —, 19—.

For Bank, Ltd.

LONDON, E.C.

(PERFORATED)

No.

To be detached by the Bankers.

THE COMPANY, LIMITED.

Issue of Shares of each at the  
price of per Share.

Third (Final) Instalment payable on —, 19—.  
£ : : Date

(PERFORATED)

No.

To be detached by the Bankers.

THE COMPANY, LIMITED.

Issue of Shares of each at the  
price of per Share.

Second Instalment payable on —, 19—.  
£ : : Date

(PERFORATED)

Pay .. .

& Co.

London, —, 19—.

Bank, Limited.

or Order

No.

2d. impressed stamp.

For and on behalf of The Company, Limited.

NEW ISSUE ACCOUNT.

T

**Form No. 13 (continued).**

(Back of form.)

**FORM OF RENUNCIATION.**

(Available until \_\_\_\_\_, 19\_\_\_\_)

To the Directors of—

THE \_\_\_\_\_ COMPANY, LIMITED.

GENTLEMEN,

I/We hereby renounce my/our right to the within-mentioned allotment of Shares in favour of the parties signing the Registration Application Form below.

Signature of Allottee .



Date.....

NOTE.—If Shares are renounced, the above Form of Renunciation must be signed over a Sixpenny Stamp by the Allottee. In case of a Joint Allotment, ALL the persons named must sign the Renunciation.

**REGISTRATION APPLICATION FORM.**

(To be signed only by the person(s) to whom the Shares are renounced.)

To the Directors of—

THE \_\_\_\_\_ COMPANY, LIMITED.

GENTLEMEN,

I/We hereby request you to register the within-mentioned Shares in my/our name(s).

Usual Signature.....

Full Name (in Block Capitals).....

Address .....

Title or Occupation .....

\* For use where Shares  
are to be registered  
in the Names of  
Joint Holders.

Usual Signature.....  
Full Name (in Block Capitals).  
Address .....  
Title or Occupation .....

Unless these Forms, duly filled up and signed by the Allottee(s) over a 6d. stamp and by the party or parties in whose name or names the Shares are to be registered, are lodged at the Registered Office of the Company, \_\_\_\_\_, London, E.C., on or before the \_\_\_\_\_, 19\_\_\_\_, the Shares to which this Allotment Letter relates will be registered in the name(s) of the original Allottee(s) and thereafter it will only be possible to transfer such Shares by Transfer on the ordinary common form.

~~IMPORTANT.~~—It is not necessary for the original Allottee to sign either of the above forms if such Allottee desires to be registered as the holder of these Shares.

**REQUEST FOR SHARE CERTIFICATE.**

To the Secretary

THE \_\_\_\_\_ COMPANY, LIMITED,

London, E.C.

send by post at my risk to the following  
Please \_\_\_\_\_ address

hand to the bearer hereof

Share Certificate in exchange for this Letter  
of Allotment.

Signature .....

Address .....

Date.....

N.B.—All payments due hereunder must be made either to BANK LIMITED, LONDON, E.C., or to BANK LIMITED, LONDON, E.C., or any of their Branches, and all cheques, made payable either to BANK LIMITED, LONDON, E.C., or to BANK LIMITED, or to BEARER, must be cashed at BANK LIMITED, or BEARER, and to be crossed " & Co." Any alterations from "ORDER" to "BEARER" must be authorized by the Drawer's Signature. THIS LETTER OF ALLOTMENT MUST ACCOMPANY ALL REMITTANCES.

## APPENDIX B

157

## Form No. 14.

Letter of allotment, applicable either where a further amount is payable or an amount is returnable.  
(Issue of debenture stock.)

## THE COMPANY, LIMITED.

Issue of £ — per cent. First Mortgage Debenture Stock at — per cent.



No. ....

## LETTER OF ALLOTMENT.

LONDON, —, 19—.

SIR (or MADAM),

In response to your application, I have to inform you that the Directors have allotted you £ — per cent. First Mortgage Debenture Stock in accordance with the terms of the Prospectus dated —, 19—.

The amount payable on application and allotment, namely, — per cent., is £ : :  
You have already paid £ : :  
Leaving a balance due *by you to us* for which cheque is enclosed of £ : :

The amount due by you must be remitted forthwith, accompanied by this Letter of Allotment, either to BANK LIMITED, LONDON, E.C., or to BANK LIMITED, London, E.C., or any of their Branches, who will return this Letter duly receipted.

The final instalment of — per cent., namely, £ —, is payable on —, 19—.

Payment in full may be made on allotment or at any time thereafter under discount at the rate of — per cent. per annum on the anticipated payment. (See Discount Table overleaf.)

Should you desire to renounce this allotment, you can do so by means of the Form of Renunciation overleaf, but Letters of Renunciation will not be valid after —, 19—.

Should you elect to divide this allotment, this Allotment Letter must be deposited at the Offices of The Company, Limited, London, E.C., to be cancelled and exchanged for splits in multiples of £1, on or before —, 19—. A charge of 1s. will be made for each split letter required.

Interest at the rate of — per cent. per annum will be chargeable on instalments in arrear. Failure to pay any instalment at due date will render the allotment liable to cancellation and previous payments liable to forfeiture.

The relative Debenture Stock Certificates will be ready for delivery after —, 19—, in exchange for this Letter of Allotment, duly receipted for the amounts payable.

By Order of the Board,

Secretary.

## PAYMENT IN FULL.

Received amount for payment in full under discount.

£ : :  
For BANK LIMITED,  
BANK LIMITED.



Dated —, 19—. Cashier

Received instalment of — per cent. due on —, 19—.

£ : :  
For BANK LIMITED,  
BANK LIMITED,  
Cashier



Received above-mentioned balance due on Allotment.

£ : :  
For BANK LIMITED,  
BANK LIMITED,  
Cashier

(PERFORATED) THE COMPANY, LIMITED.

No. ....

## PAYMENT IN FULL.

Amount of instalment £ : :  
Less Discount £ : :

Dated —, 19—.

£ : :  
(PERFORATED)

THE COMPANY, LIMITED.

No. ....

Payment due on —, 19—.

£ : :  
(PERFORATED)

THE COMPANY, LIMITED.

No. ....

Payment due on Allotment.

£ : :  
(PERFORATED)

**Form No. 14. (continued).**

(Back of form.)

**N.B.—Letters of Renunciation must be lodged with The  
London, E.C., for Registration on or before  
They will not be accepted after that date.**

**Company, Limited,  
, 19 .**

**LETTER OF RENUNCIATION.**

To the Directors of  
THE COMPANY, LIMITED.

GENTLEMEN,  
I/We hereby renounce the within-mentioned allotment of Debenture Stock in favour of:—

Name .....  
Address .....

6d.

Signature of Allottee.....

STAMP.

Date....., 19—.

The following Form is only to be used if there has been a Renunciation and the Stock is to be registered in any other name than that of the original Allottee.

A Fee of s. d. is payable on lodgment of Renounced Letter(s) of Allotment for Registration.

**REGISTRATION APPLICATION FORM.**

I/We hereby request you to register the within-mentioned Debenture Stock in my/our name(s) on the terms overleaf.

Usual Signature .....  
Occupation .....  
Surname .....  
(Block Letters)  
Full Christian Names .....  
(Block Letters)  
Postal Address .....

\*For use in cases where Stock is to be registered in joint names. \*Usual Signature .....  
Occupation .....  
Surname .....  
(Block Letters)  
Full Christian Names .....  
(Block Letters)  
Postal Address .....

STOCK	DISCOUNT	STOCK	DISCOUNT
£			
50			
100	2,500		
250	3,000		
300	5,000		
500	8,000		
700	10,000		
900	20,000		

(If payment in full is made after —, 19—, the amount of Discount to be deducted may be obtained from the Bankers.)

## Form No. 15.

Letter of acceptance (offer for sale of shares).

THE SYNDICATE, LIMITED.

LONDON, E.C.

LETTER OF ACCEPTANCE.

THE COMPANY.

(A Limited Liability Company incorporated under the Laws of ).

6d.  
impressed  
stamp.Offer for sale of Ordinary Shares of each,  
at the price of £ per share.

DEAR SIR(S),

I am directed to inform you that your application has been accepted by my Directors for ..... of the above shares in terms of the Particulars dated ..... 19.....

The total amount payable in respect of these shares is £ : :  
 You have already paid on application .. . £ : :  
 Leaving a balance now due:—  
 (by you which should be paid forthwith } of £ : :  
 (to you for which a cheque is enclosed } of £ : :)

Interest at the rate of .... % per annum will be charged on overdue instalments if not paid on or before the ..... 19.....

On and after ..... 19....., scrip certificates to bearer will be delivered at the offices of Messrs.

E.C., in exchange for this letter of acceptance when fully paid and duly endorsed. Letters of acceptance must be left three days for examination. It is recommended that the exchange be effected either in person or through the medium of a Bank, as scrip certificates can only be forwarded through the post at the risk of the owner.

Yours faithfully,

For and on behalf of

THE SYNDICATE, LIMITED.

Secretary.

To .....

BANKERS' RECEIPT.

RECEIVED the amount due on acceptance as above.

For THE BANK, LIMITED.

(PERFORATED)

No. ....

To be detached by the Bankers.

THE COMPANY.

..... Ordinary Shares of ..... each, at the price of £ ..... per share.

Amount payable on acceptance.

Date.....

£ : : .

This form must be sent ENTIRE with the amount payable to "The Bank, Limited, Bank, Limited, or Bearer, and crossed payable to "The Syndicate, Limited. Not Negotiable." Alterations from "Order" to "Bearer" must be initialled by the Drawer.

**Form No. 15 (continued).**

(Back of form).

*To MESSRS.*

LONDON, E.C.

Please {send by post at my risk to the following address} Scrip Certificates  
hand to the bearer hereof  
to Bearer in exchange for this Letter of Acceptance.

*Signature ....**Address ....**Date....., 19...*

**Form No. 16.****Request for names.****THE****COMPANY, LIMITED.****Issue of £****per cent. Redeemable Debenture Stock  
at per cent.**

With reference to the enclosed Letter of Allotment kindly furnish us as soon as possible the names in which you wish the Stock allotted to you to be registered as Stock cannot be registered in the name of a firm.

*Registrars for the Issue.*

NOTE.—A similar type of notice is suitable in the case of an issue of shares.

**Form No. 17.****Letter of regret.**

(Where applicant's cheque is not cleared).

**THE****COMPANY, LIMITED.****REGISTERED OFFICE (*pro tem.*):**

LONDON, E.C.

—, 19—.

**LETTER OF REGRET.****Issue of****Shares of each  
At the price of per Share.**

DEAR SIR(S) OR MADAM,

My Directors regret that, the Issue having been heavily over-subscribed, they are unable to accept your application.

Your application and cheque are accordingly returned herewith.

Yours faithfully,

*For and on behalf of*

THE \_\_\_\_\_ COMPANY, LIMITED,

*Secretary.*

To \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_

## APPENDIX B

**Form No. 18.**

**Letter of regret.**  
 (Where applicant's cheque is cleared).

[Please quote this number in all correspondence re this Stock] **No. R**

**THE COMPANY, LIMITED.**

*Transfer Office (pro tem.) :*

— LONDON, E.C.

—, 19—.

**LETTER OF REGRET.**

**Issue of £** per cent. Redeemable Debenture Stock  
**at** per cent.

DEAR SIR(S) OR MADAM,

The Directors regret that, the Issue having been heavily over-subscribed, they are unable to accept your application.

A cheque for the amount of your deposit is accordingly attached hereto.

Yours faithfully,  
*For and on behalf of*  
 THE ————— COMPANY, LIMITED,

*Registrars for the Issue.*

To : \_\_\_\_\_

(PERFORATED)

Pay.....	C. S. £	No. R London, , 19 . <b>BANK, LIMITED.</b>
<i>For and on behalf of</i> THE COMPANY, LIMITED.		or order
		<div style="border: 1px solid black; padding: 2px; display: inline-block;">ad. impressed stamp.</div>
£ : : _____	} DEBENTURE } ISSUE } ACCOUNT. <i>Registrars for the Issue.</i>	
T		

**Form No. 19.**

Letter of rights.

(Offer of additional ordinary shares to existing holders.)

**IMPORTANT.—This document is negotiable and valuable. If you do not wish to subscribe the new Shares yourself you can sell your rights, and for that purpose you should consult a stockbroker or banker at once.**

Application will be made to the Committee of the London Stock Exchange for permission to deal in these Shares.

**THE COMPANY, LIMITED.**

LONDON, —.

\_\_\_\_\_, 19—.

No.....

**LETTER OF RIGHTS.**

**Issue of additional Ordinary Shares of      each at      per share.**

DEAR SIR (OR MADAM),

In respect of your holding of ..... Ordinary Shares, you are entitled to apply for ..... of the above Shares provided you do so in accordance with the following provisions. The "Rights" to new Ordinary Shares have been allocated to those Shareholders registered or entitled to be registered as holders of Ordinary Shares on the \_\_\_\_\_, 19—, as nearly as possible in the proportion of one new Ordinary Share for every — Ordinary Shares then held. The Shares are payable as follows:—

— per Share on the \_\_\_\_\_, 19—, of which — is on account of premium.  
— per Share on the \_\_\_\_\_, 19—, of which — is on account of premium.

The Shares will not entitle the holders to participate in any dividend paid in respect of the financial year of the Company ending \_\_\_\_\_, 19—, but will rank *pari passu* with the existing Ordinary Shares for all subsequent Dividends.

This Letter of Rights entire, with the Application Form printed on the back hereof filled in and signed, must be lodged at the Company's Bankers, \_\_\_\_\_ Bank, Limited, \_\_\_\_\_, London, E.C., or any of its branches, with a deposit of — per Share, not later than the \_\_\_\_\_, 19—. Unless this be done by the date named this Letter will cease to confer any right to subscribe for the said Shares.

If you desire to take up a smaller number of Shares than those to which you are entitled as above and to nominate some other person to take up the remainder this letter should be returned

Not later than the      , 19 ,

to the Company at its Registered Office, when it will be split once only in the proportion required, which should be stated when the Letter is sent for splitting. If you desire to nominate some other person to take up all the Shares mentioned above you should sign the Form of Renunciation printed on the back hereof and hand this Letter to your nominee (*i.e.*, the acceptor or purchaser of your rights). In that case the Application Form should not be signed by yourself but by the Nominee.

**IMPORTANT.—If this Letter, with the Application Form duly signed by you or by the person to whom you renounce your rights, does not reach the Company's Bankers, as above, on or before the \_\_\_\_\_, 19—, with remittance for the amount payable on application, this offer will be deemed to have been declined and the Shares will be disposed of by the Directors as they think fit.**

I am, dear Sir (or Madam),  
Yours faithfully,

Secretary.

M

**Form No. 19 (continued).**

(Back of form.)

No.....

**THE COMPANY, LIMITED.****Issue of additional Ordinary Shares of \_\_\_\_\_ each at \_\_\_\_\_ per Share.****FORM OF RENUNCIATION**

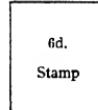
(to be signed by the Shareholder or Shareholders entitled to the Shares if it is desired to nominate some other person or persons to take up the whole number of Shares for which the attached Letter conveys the right to subscribe).

To the Directors of

**THE****COMPANY, LIMITED.**

Being entitled to an allotment of the within mentioned Shares in terms of the Letter of Rights dated \_\_\_\_\_, 19\_\_\_\_\_, I/we hereby request that you will allot such Shares to the person(s) who in virtue of this Renunciation applies/apply for such Shares.

Dated this.....day of..... 19\_\_\_\_\_.

Signature of Holder or Holders  
of Ordinary Shares.

In the case of joint holdings all Joint Holders must sign.

**NOT TO BE DETACHED.****FORM OF APPLICATION FOR SHARES**

(to be signed by person or persons accepting the Shares).

To the Directors of

**THE****COMPANY, LIMITED.**

Having paid to your Bankers the sum of £..... as a deposit of — per Share on application for..... Shares of — each of The \_\_\_\_\_ Company, Limited, I/we request that such Shares may be allotted to me/us, and I/we agree to accept the above mentioned Shares on the terms of the Letter of Rights dated \_\_\_\_\_, 19\_\_\_\_\_, and subject to the Memorandum and Articles of Association, and to pay the balance of — per Share due by me/us as and when payable.

Dated this.....day of....., 19\_\_\_\_\_.

<b>PLEASE WRITE DISTINCTLY</b>	Usual Signature..... Surname..... Christian Name(s) (in full)..... Address (in full).....  Occupation or Description..... <small>(A lady should state whether "Spinster," "Married Woman" or "Widow.")</small>
--	--

[ This page, when completed, should be forwarded entire to—

BANK, LIMITED, \_\_\_\_\_, London, E.C., or any of its branches, together with a remittance for the amount payable on application, so as to be in their hands not later than 12 o'clock on the — day of \_\_\_\_\_, 19\_\_\_\_\_.

Cheques should be drawn payable to \_\_\_\_\_ Bank, Limited or Bearer and crossed "Not negotiable." Any alteration from "Order" to "Bearer" must be signed by the drawer.

No receipt will be issued for the payment on application, but an Allotment Letter will be forwarded in due course showing the payment credited.

**Form No. 20.**

Provisional allotment letter.

(Offer of additional ordinary shares to existing holders.)

No.....

**THE COMPANY, LIMITED.**Issue of Ordinary Shares of each at par.

To \_\_\_\_\_

LONDON, E.C.

Names of joint holders, if any.

\_\_\_\_\_, 19\_\_\_. \_\_\_\_\_

6d.  
impressed  
stamp.**PROVISIONAL ALLOTMENT LETTER.**

DEAR SIR (OR MADAM),

1. In terms of a Resolution passed at a Board Meeting on the \_\_\_\_\_, 19\_\_\_, the Directors have resolved to issue \_\_\_\_\_ Ordinary Shares of — each at par, payable in full on or before the \_\_\_\_\_, 19\_\_\_, and to offer these in the first instance to the holders of the \_\_\_\_\_ Ordinary Shares already issued whose names appeared on the Register on the \_\_\_\_\_, 19\_\_\_, in the proportion of one new Ordinary Share to every — Ordinary Shares already issued.

2. The new shares will rank for one half of all dividends in respect of the year ending \_\_\_\_\_, 19\_\_\_, declared on the Ordinary Shares already issued, but will otherwise rank *pari passu* in all respects with the existing Ordinary Shares.

3. As a holder of \_\_\_\_\_ Ordinary Shares you are provisionally allotted \_\_\_\_\_ new Ordinary Shares of — each, fractions of shares being ignored.

4. If you wish to accept this Provisional Allotment the Form "A" hereon must be completed by you and this Provisional Allotment Letter forwarded to the Company's Bankers, \_\_\_\_\_, E.C., not later than the \_\_\_\_\_, 19\_\_\_, together with cheque for £....., being payment in full for the said shares.

5. If you wish to renounce this Provisional Allotment in its entirety or to have this letter split the instructions hereon must be fully complied with by you and your nominee(s).

6. On receipt by the Company's Bankers on or before the \_\_\_\_\_, 19\_\_\_, of this Provisional Allotment Letter duly completed, together with cheque for the amount payable, this Allotment Letter will be receipted and returned to the Acceptor(s) and should be forwarded to the Company by the \_\_\_\_\_, 19\_\_\_, to be exchanged for the relative share certificates, which will then be ready.

All cheques must be made payable to \_\_\_\_\_, or Bearer, and crossed "A/c. The \_\_\_\_\_ Company, Limited, Not Negotiable." Any alteration from "Order" to "Bearer" must be signed by the Drawer.

7. Provisional allotments of shares in respect of which acceptances and payments have not been received by the Company's Bankers by the \_\_\_\_\_, 19\_\_\_, will be deemed to have been declined.

By Order of the Board, \_\_\_\_\_

Exd. ....

Secretary.

**BANKER'S RECEIPTS (not to be detached).**

RECEIVED payment in full of — per share on ..... New Ordinary Shares.

£ ..... \* ..... for \_\_\_\_\_

Date ..... , 19\_\_\_. \_\_\_\_\_

(PERFORATED)

To be detached and retained by Bankers.

P.A. No. ..... , 19\_\_\_. £ .....

THE \_\_\_\_\_ COMPANY, LIMITED.

**Form No. 20 (continued).**

(Back of form.)

**INSTRUCTIONS FOR RENOUNCING AND SPLITTING ALLOTMENT LETTERS.**

To renounce this Provisional Allotment in its entirety to one nominee Form "B" must be completed by you and Form "A" must be completed by the nominee, and the Provisional Allotment Letter forwarded to the Company's Bankers with cheque as instructed in paragraph 4 on face hereof.

To accept part and renounce part or parts of this Provisional Allotment, or to renounce the whole to more than one nominee, Form "C" must be completed by you and this Provisional Allotment Letter forwarded to the Company not later than \_\_\_\_\_, 19\_\_\_\_\_. A fee of 1/- for each split must accompany every application to split. One splitting only will be made.

It will not be necessary for the Renunciation Forms "B" or "C" on the Split Allotment Letters to be signed, but the acceptor(s) must complete Form "A" thereon and the Split Allotment Letters must be forwarded to the Company's Bankers with cheque as instructed in paragraph 4 on face hereof.

Surrender of this letter at the said office of the Company with Form of Renunciation purporting to be signed by the allottee(s) shall be conclusive evidence in favour of the Company of the title of the party depositing this letter to deal with the same and to receive Split Letters and Share Certificates.

**FORM "A."****Form of Acceptance to be signed by the Acceptor(s).***To the Directors of*

THE —

COMPANY, LIMITED.

I/We enclose cheque for £....., being — per share in respect of ..... new Ordinary Shares referred to in this Provisional Allotment Letter, and hereby accept your offer of the said shares subject to the Memorandum and Articles of Association of the Company and the terms and conditions of the said letter, and authorise you to place my/our name(s) on the Register of Members in respect of the said shares.

DATED this.....day of -

PLEASE	USUAL SIGNATURE
WRITE	<i>Surname (Block Capitals)</i>
DISTINCTLY.	<i>Full Christian Name(s)</i>
	<i>Address</i> .....

If the shares are to be registered in joint names this form must be signed by all.	Occupation .....
	USUAL SIGNATURE
	<i>Surname (Block Capitals)</i>
	<i>Full Christian Name(s)</i>
	<i>Address</i> .....

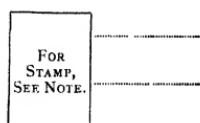
Occupation .....

**FORM "B."**  
**Form of Renunciation and Nomination to be signed by the Shareholder(s) only if this Provisional Allotment is renounced in its entirety to one nominee.**

I/We hereby renounce my/our right to the within-mentioned new Ordinary Shares in favour of the person(s) mentioned in Form "A" above.

DATED this.....day of - , 19\_\_\_\_\_.  
Signature(s) of Shareholder(s)..

**NOTE.—**To be signed over 1d. stamp if less than 5 shares; 6d. if 5 shares or more. In the case of joint holdings all the joint holders must sign.\*

**FORM "C."****Form of Renunciation to be signed by the Shareholder(s) if this Allotment is accepted in part only by the Shareholder(s) or renounced in favour of more than one nominee.**

I/We hereby renounce my/our right to the within-mentioned new Ordinary Shares in favour of the person(s) respectively signing the Form of Acceptance "A" on the Split Allotment Letter(s) which I/we now request you to issue to me/us. The splits required are as follows:-

DATED this.....day of - , 19\_\_\_\_\_.  
Signature(s) of Shareholder(s)..

\* Note.—The above note on the requisite stamp assumes that the shares are of £1 each, the 6d. stamp being required if the value is £5 or over.





Form No. 22.

Register card (for two classes of share).

Typewrite as near perforation as possible. Then tear off.

## APPENDIX B

**Form No. 23.**

Register card (for debenture stock issue).

Name and Address:—

---



---



---



---

Occupation:—

Introduced by:—

Stock acquired				Stock renounced or transferred			Instalments due			
Date	No. of Allotment or Trnsfr	Amount of Stock	No. of Certificate	Date	No. of Allotment or Trnsfr	Amount of Stock	Applicatn	£	s.	d.
							Allotment			
							3rd			
							4th			
							Total			
							C. B. Ref.			
							Applicatn			
							Allotment			
							3rd			
							4th			
Number	Name				Applied for		Allotted			

(PERFORATED)  
Typewrite as near perforation as possible. Then tear off.**Form No. 24.**

Register card (use of back for special information).

Specimen signature:—

Dividend instructions:—

Documents registered:—

**Form No. 25.****Request for split.**

No.....

To THE \_\_\_\_\_, LTD.,

LONDON, E.C.

**THE COMPANY, LIMITED.****Issue of £\_\_\_\_\_ — per cent. First Mortgage Debenture Stock.**

Please split the accompanying Letter of Allotment No.....  
 for £..... Debenture Stock, into Amount

Letters of £ .....	Deb. Stock	Deb. Stock
.....	”	”
.....	”	”
.....	”	”
TOTAL		DEB. STOCK

Signed.....

Address .....

.....

Date.....19...

NOTE.—Separate form of application must be used for each Letter of Allotment to be split.

Fee of 1s. is payable on each split issued.

**Form No. 26.****Split ticket.**

No.....

**THE COMPANY, LIMITED.**

**Issue of £——— — per cent. Redeemable Debenture Stock  
at — per cent.**

**SPLIT TICKET.**

*Received from* .....

*Letter of Allotment No.* ..... *in favour of* .....

..... *for £* ..... *Stock, £* .....

*per cent. paid to be split into* .....

*Split Letters of Allotment will be ready in exchange for this Ticket on/at*  
..... *Fee paid.* .....

*For and on behalf of*

**Transfer Office (pro tem.):**

\_\_\_\_\_ **THE COMPANY, LIMITED,**

\_\_\_\_\_,

**LONDON, E.C.**

*Registrars for the issue.*

*Date.* .....

**TRANSFER HOURS: 10 to 1.30 and 2.30 to 4, SATURDAYS EXCEPTED.**

**In the event of this Ticket being lost or mislaid a Letter of Indemnity will be required.**

**Form No. 27.****Request for consolidation.**

No.....

To THE \_\_\_\_\_, LTD.,  
 \_\_\_\_\_,  
 LONDON, E.C.

**THE COMPANY, LIMITED.****Issue of £——— per cent. First Mortgage Debenture Stock.**

Please issue Letter of Allotment for £.....  
 Debenture Stock, in name(s) of

Name .....

Address.....

.....  
Occupation .....

Name .....

Address.....

.....  
Occupation .....

Name .....

Address.....

.....  
Occupation .....

in exchange for the following Letter(s) of Allotment for .....

..... Debenture Stock duly renounced or lodged for con-  
solidation.

No.	Amount.
.....	Deb.
.....	"
.....	"
TOTAL	DEB. STOCK

Signed .....

Address.....

Date..... 19—.....

Registration fee of —s. —d. is payable on lodgment of letter(s) of allotment.

**Form No. 28.**

Exchange ticket.

THE COMPANY, LIMITED.

Issue of £——— per cent. Redeemable Debenture Stock.

AT — PER CENT.

Transfer Office (pro. tem):  
\_\_\_\_\_,  
\_\_\_\_\_,  
\_\_\_\_\_

LONDON, E.C

**EXCHANGE TICKET.**

No.....

**Received from** .....

Letter of Allotment No.....in favour of.....

.....for £.....Stock of the above issue, fully paid.

The Certificate for the above Stock will be ready in exchange for this Ticket  
on.....

For and on behalf of

THE ————— COMPANY, LIMITED,

\_\_\_\_\_,

Registrars for the Issue.

Stock Certificate No..... Date.....

TRANSFER HOURS : 10 to 1.30 and 2.30 to 4, SATURDAYS EXCEPTED.  
\_\_\_\_\_

In the event of this Ticket being lost or mislaid a Letter of Indemnity will be required.

**Form No. 29.****Notification of receipt of renunciation.**

No.....

THE \_\_\_\_\_, LTD.,

\_\_\_\_\_,

LONDON, E.C. .... 19—.

DEAR SIR,

**THE COMPANY, LIMITED.**—% GUARANTEED DEBENTURE STOCK.

We beg to inform you that the undermentioned Letter(s) of Allotment, purporting to be renounced by you, has/have been lodged for splitting and registration and if we do not hear from you in course of post we shall assume same to be in order.

Yours faithfully,

THE \_\_\_\_\_ COMPANY, LIMITED.

(Registrars *pro tem.*).

To.....

.....  
.....

Letter of Allotment No.	Renouncee	Amount

Transfer hours, 11 till 3 (*Saturdays excepted*).

## APPENDIX B

**Form No. 30.**

Brokerage analysis form.

**THE COMPANY, LIMITED.**

**Issue of £\_\_\_\_\_ — per cent. Redeemable  
Debenture Stock at — per cent.**

**ANALYSIS OF APPLICATIONS, FOR BROKERAGE, &c.**

AGENT'S NAME..... *No.*.....  
ADDRESS.....  
.....

Application Number	Name of Applicant	Allotted	Remarks

**Form No. 31.**

Brokerage summary form.

**THE COMPANY, LIMITED.**

**Issue of £ — per cent. Redeemable  
Debenture Stock at — per cent.**

**SUMMARY OF ANALYSIS OF APPLICATIONS, FOR  
BROKERAGE, &c.**

Sheet Number	Name of Agent	Allotted	Brokerage @ — per cent.			Cheque Number
			£	s.	d.	

## APPENDIX B

**Form No. 32.**

Brokerage letter and cheque.

Please quote this number in all correspondence re this Stock No. **B****THE COMPANY, LIMITED.***Transfer Office (pro tem.)*

LONDON, E.C.

\_\_\_\_\_, 19\_\_\_.

Issue of £\_\_\_\_\_ per cent. Redeemable Debenture Stock  
AT — PER CENT.

DEAR SIR(S),

We have the pleasure to send you herewith a cheque for £....., being — per cent. Brokerage payable to you in respect of £..... Stock of the above Issue.

This amount of Stock represents the total for which Letters of Allotment have been issued in response to Applications bearing your stamp, as per the accompanying list.

Yours faithfully,

For and on behalf of

THE \_\_\_\_\_ COMPANY, LIMITED,

Registrars for the Issue.

To : \_\_\_\_\_

(PERFORATED)

No. **B**

London, \_\_\_\_\_, 19\_\_\_.

**BANK, LIMITED.**

Pay .....

Co.  
2

or order

ad.  
impressed  
stamp.For and on behalf of  
THE COMPANY, LIMITED.£ : :  
TBROKERAGE  
ACCOUNT.

Registrars for the Issue.



**Form No. 35.**  
share register (for fully paid shares).

NAME	ADDRESS	OCCUPATION	DOCUMENTS REGISTERED No. .... Folio _____	Dividend Instructions
DATE				
SHARES ACQUIRED				
Date	No. of Allotment or Transfer	Number of Shares	Distinctive Numbers From   To	Certifi- cate No.
SHARES TRANSFERRED				
Date	No. of Trans- fer	Number of Shares	Distinctive Numbers From   To	Amount paid per Share £   s. d.
Remarks				
				£   s. d.

Form No. 36.

Share register (for machine posting).

Name \_\_\_\_\_

Date of entry as a member

## Address

Date of ceasing to be a member

Form No. 37.

**Share register** (for three classes of share).

SHAREHOLDER	ADDRESS	OCCUPATION	PARTICULARS OF LOST DOCUMENTS
-------------	---------	------------	-------------------------------

DIV. TO

PREFERENCE

#### **SHARES ACQUIRED**

## **ORDINARY**

FORWARD

**Form No. 37 (continued).**

Back of form.

ORDINARY (CONTINUED)

DEFERRED

**Note:** In the case of a large and active account, a separate sheet may be used for each class of share held, the three sheets being distinguished by means of projecting tabs lettered P, O, D, respectively.

**Form No. 38.**

#### **Summary of share certificates.**

*Sheet No.*.....

# THE COMPANY, LIMITED.

### **Summary of Share Certificates,**

, 19 .

**Form No. 52.**

THE  
COMPANY, LIMITED.

Certificate No.

Transfer No

Name \_\_\_\_\_

Addition

(PERFORATED)

RECEIVED this \_\_\_\_\_ day of \_\_\_\_\_ 19\_\_\_\_ Certificate  
No. \_\_\_\_\_ for \_\_\_\_\_ Shares in THE \_\_\_\_\_ Co. LTD.

*Signed*

- (PERFORATED)



CERTIFICATE N°

**NO OF SHARES**

# THE CAPITAL & LIMITED COMPANY

# COMPANY

ଶ୍ରୀମଦ୍ଭଗବତ

to the Registered Holders of  
S. P. C. K.

**THE**  
**COMPANY, LIMITED,** subject to the  
Memorandum and Articles of Association of the Company,  
and that each of such Shares is fully paid up.

Wen under the Common Seal of the Company  
this \_\_\_\_\_ day of \_\_\_\_\_ 19\_\_\_\_

No transfer of any of the above Shares over the registered unless accompanied by the Conditions.

**Form No. 39 (continued).**

(Back of form.)

**RECORD OF TRANSFERS.**

Form No. 40.

share Certificate where there is more than one class of shares.

(PERFOMATED)

Regd. Folio	Allocation or Transfer No.	Shares of	for	Fully Paid — per cent. Cumulative	Shares of	each in THE	COMPANY, LIMITED,	numbered as on the face thereof.
RECEIVED this, day of <b>19-</b> , CERTIFICATE				{ Shareholder or Agent.				{ Signature of

<p>Reg. Folio _____ Allocation or Transfer No. _____</p>	<p><b>(PERFOMRATED)</b></p>	<p>Shareholder or Agent. Signature of _____</p>
		Numbered as on the face thereof.
<p><b>CERTIFICATE</b> RECEIVED this _____ day of _____, 19_____, CERTIFICATE of Shares of _____ for _____ Fully Paid — per cent. Cumulative Preference Shares of _____ each in THE _____ COMPANY, LIMITED, numbered as on the face thereof.</p>		

THE COMPANY,  
LIMITED.  
— % CUMULATIVE  
PREFERENCE SHARES

Please complete and return in the accompanying envelope.

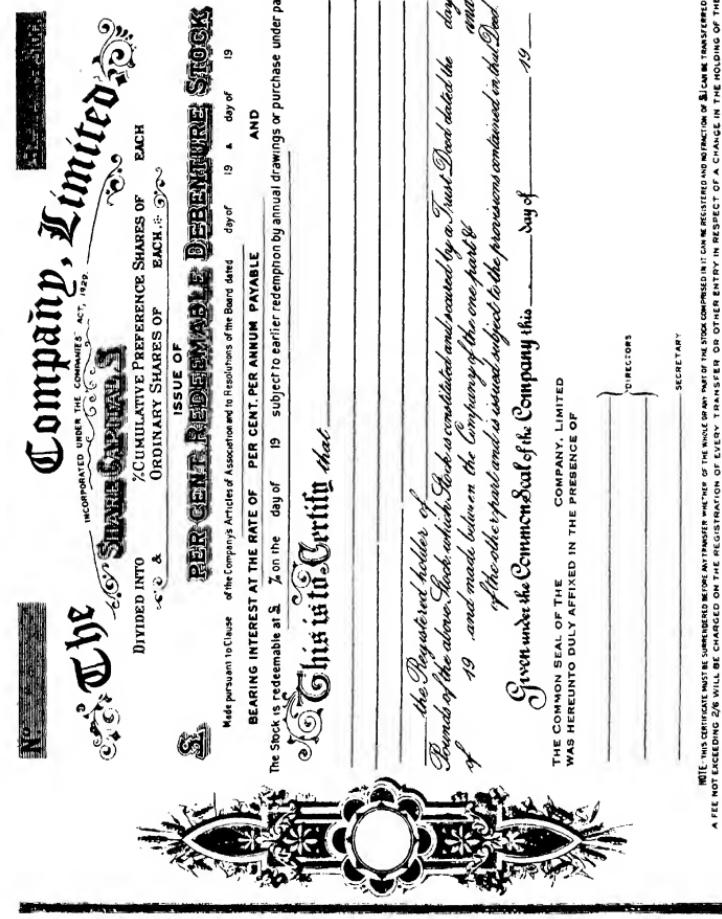
*[Redacted]*  
Note.—No Transfer of any of the Shares represented by this Certificate will be registered until such Certificate has been lodged at the Company's Office.

**Form No. 40** (*continued*).

(Back of form.)

RECORD OF TRANSFERS.

**Form No. 41.**  
Debenture stock certificate.



Debenture Stock of THE COMPANY, LIMITED.  
Debenture No. \_\_\_\_\_  
Issued the \_\_\_\_\_ to \_\_\_\_\_ for \_\_\_\_\_ to be held to be paid to \_\_\_\_\_  
REDEEMABLE DEBENTURE STOCK  
COMPANY, LIMITED.

In Name of \_\_\_\_\_  
Debenture Stock No. \_\_\_\_\_  
Certificate No. \_\_\_\_\_  
Dated \_\_\_\_\_  
Given out (date) \_\_\_\_\_  
By \_\_\_\_\_  
N<sup>o</sup> of Transfer \_\_\_\_\_  
New Certificate No. \_\_\_\_\_

NOTE: THIS CERTIFICATE MUST NOT BE USED FOR ANY PURCHASE OF THE WHOLE OR PART OF THE STOCK COMPRISED IN IT OR FOR ANY TRANSFER OR CHANGE IN THE HOLDING OF THE STOCK.  
A FEE NOT EXCEEDING 2/- WILL BE CHARGED ON THE REGISTRATION OF EVERY TRANSFER OR OTHER ENTRY IN RESPECT OF A CHANGE IN THE HOLDING OF THE STOCK.

SECRETARY

DIRECTORS

**Form No. 41** (*continued*).  

---

(Back of form.)

---

**THE  
COMPANY, LIMITED.****CONDITIONS AS TO ISSUE OF — PER CENT. REDEEMABLE DEBENTURE STOCK.**

The following are the conditions upon which the — per cent. Redeemable Debenture Stock of the \_\_\_\_\_ Company, Limited, secured by Trust Deed dated the day of 19\_\_\_\_\_, and made between the Company on the one part and and as Trustees of the other part is to be issued:—

**COPY OF REGISTRAR'S CERTIFICATE OF REGISTRATION OF  
MORTGAGE OR CHARGE.**

**Form No. 42.****Notice of completion of share certificates.****THE****COMPANY, LIMITED.***Registered Office:*

LONDON, E.C.

—, 19—.

**Issue of                   % Cumulative Preference Shares of     each  
and                      Ordinary Shares of     each.**

DEAR SIR(S) or MADAM,

I have the pleasure to advise you that Letters of Allotment in respect of the above Issue, with attached Bankers' Receipts for payment of the due instalments, may now be lodged at this Office to be exchanged for the relative Share Certificates.

It is recommended that the exchange be made either personally or through the medium of a Banker or Broker, as Certificates will only be transmitted by post at the risk of the owner.

Where Letters of Allotment have already been lodged and Exchange Tickets issued in acknowledgment, the Exchange Tickets should be forwarded to this Office to be exchanged for the relative Share Certificates.

Letters of Allotment (and/or Exchange Tickets) will be received between the hours of 10 and 1.30 [or 2.30 and 4 o'clock] only (not on Saturdays), and Letters of Allotment must be left three clear days for examination.

Yours faithfully,

*For and on behalf of*

THE

**COMPANY, LIMITED.***Secretary.*

**Form No. 43.**

**Certificate advice form (memorandum enclosing certificate).**

---

No.....

THE **COMPANY, LIMITED.**

---

*Registered Office:*

---

....., E.C.

.....19.....

DEAR SIR(S) OR MADAM,

In exchange for the undermentioned documents I enclose herewith Certificate No.....for..... Ordinary Shares of — each (— paid) in this Company registered in the name of.....  
and shall feel obliged if you will kindly complete and return to me immediately the form of receipt attached thereto.

DOCUMENTS ABOVE REFERRED TO.

---

---

Yours faithfully,

*For and on behalf of*

THE **COMPANY, LIMITED.**

---

*Secretary.*

To.....

---

---

**Form No. 44.**

*Reproduced, by kind permission,  
from The Manual of The Chartered Institute of Secretaries.*

**Letter of allotment and interim certificate.**

(This form should be printed on stout paper.)

**THE****COMPANY, LIMITED.**

6d.  
impressed  
stamp.

Registered Office: London Wall, London.

To A. B.

No.....

This is to certify that in accordance with your application you have been allotted and registered as the holder of ..... Shares of ..... each in The —— Company, Limited, numbered from ..... to ..... inclusive, upon which you have paid the sum of ..... per Share.

The remaining instalments are payable as follows:

£....	per share on .....	19....
£....	" "	19....
£....	" "	19....



Subject to due payment of instalments this interim certificate will be exchanged for a definitive certificate. It should, therefore, be carefully preserved.

.....  
Director.  
.....  
Secretary.

(Address of Company)

....., 19....

RECEIVED on Account of The —— COMPANY, LIMITED, for The —— Bank.

Instalment due .....	19..., £	.....	Cashier .....	19...
" " .....	19..., £	.....	Cashier .....	19...
" " .....	19..., £	.....	Cashier .....	19...

(PERFORATED).....

THE —— COMPANY, LIMITED.

Instalment due .....	19..., £	Date .....	19...
Allotment Letter No. ....	.....	Cashier's Initials .....	.....

(PERFORATED).....

THE —— COMPANY, LIMITED.

Instalment due .....	19..., £	Date .....	19...
Allotment Letter No. ....	.....	Cashier's Initials .....	.....

(PERFORATED).....

THE —— COMPANY, LIMITED.

Instalment due .....	19..., £	Date .....	19...
Allotment Letter No. ....	.....	Cashier's Initials .....	.....

This form must accompany each remittance, and all cheques, etc., must be made payable to the Bankers. All remittances must be sent to the Bank, drawn to bearer and crossed "not negotiable."

.....  
the Bankers.To be de-  
tached



## Form No. 45.

Scrip certificate to bearer.

£100.

No.   

THE

COMPANY, LIMITED.

(Incorporated in ——————)

Issue of £ per cent. Guaranteed First Mortgage  
Debentures at 97½ per cent.

Interest payable —————— and ——————

ad.  
impressed  
stamp.

## SCRIP CERTIFICATE TO BEARER FOR £100.

THIS IS TO CERTIFY that the sum of Twenty-five Pounds has been paid on Application and Allotment in respect of ONE HUNDRED POUNDS The COMPANY Limited, per cent. Guaranteed First Mortgage Debentures.

The remaining instalments are payable to —————— BANK LIMITED, ——————, London, E.C., as follows:—  
£25 os. od. on ——————, 19—.  
£25 os. od. on ——————, 19—.  
£25 os. od. on ——————, 19—.

Payment in full may be made on ——————, 19—, or at any time thereafter, under discount at the rate of —————— per cent. per annum on the anticipated payments. (See Discount Table Overleaf.)

Interest at the rate of — per cent. per annum will be chargeable on any instalments not paid at the due date, and failure to pay at due date any instalment will render previous payments and this Scrip Certificate liable to forfeiture.

This Scrip Certificate, when fully paid, will be exchangeable for a Registered Debenture for £100, transferable by Deed.

To effect the Exchange this Scrip Certificate, with the Form on the back hereof duly completed, must be lodged with ——————, London, E.C., the Transfer Agents for the Debentures.

Attached hereto is a Coupon representing the first payment of £——— (less British Income Tax) per £100 Debenture payable on ——————, 19—.

If this Scrip Certificate be lodged for Registration on or before ——————, 19—, the Coupon attached must be surrendered; the amount of the Coupon will then be paid by Interest Warrant.

When paying instalments this Scrip Certificate must be presented either personally or through a Banker or a London Agent. Scrip Certificates will only be sent by post at Owner's risk.

Debentures will be ready in exchange for fully paid Scrip Certificates after ——————, 19—.

Countersigned—

For and on behalf of ——————

For THE —————— COMPANY, LIMITED,

Secretary.

Transfer Agents for Debentures.

RECEIVED the sum of TWENTY-TWO POUNDS TEN SHILLINGS, being the Final Instalment due ——————, 19—.

For —————— BANK, LTD,



Cashier.

RECEIVED the sum of TWENTY-FIVE POUNDS, being the Instalment due ——————, 19—.

For —————— BANK, LTD,



Cashier.

RECEIVED the sum of TWENTY-FIVE POUNDS, being the Instalment due ——————, 19—.

For —————— BANK, LTD,



Cashier.

(PERFORATED).....

## COUPON.

SCRIP CERTIFICATE No. ATHE COMPANY, LIMITED.  
(Incorporated in ——————)£ per cent. Guaranteed First  
Mortgage Debentures.

£ (Less British Income Tax)

Coupon for — Pound — Shillings and  
— pence (less British Income Tax), due ——————,  
19—, payable at the offices of ——————  
London, E.C.SCRIP CERTIFICATE No. A  
THE COMPANY, LIMITED.Amount of Instalment £ ——————  
PAYMENT IN FULL. Less Discount £ ——————

£ ——————

(PERFORATED).....

SCRIP CERTIFICATE No. A  
THE COMPANY, LIMITED.

Instalment of £22 ros. od. due ——————, 19—.

(PERFORATED).....

SCRIP CERTIFICATE No. A  
THE COMPANY, LIMITED.

Instalment of £25 os. od. due ——————, 19—.

(PERFORATED).....

SCRIP CERTIFICATE No. A  
THE COMPANY, LIMITED.

Instalment of £25 os. od. due ——————, 19—.

**Form No. 45 (continued).**

(Back of form.)

Te

### Transfer Agents for Debentures.

10

Herewith is/are \_\_\_\_\_ Scrip Certificate(s) for £ \_\_\_\_\_  
Please issue in exchange:—

Registered Debenture(s) £ \_\_\_\_\_ in the name(s) of

(1) Surname \_\_\_\_\_

*Full Christian Name(s)* \_\_\_\_\_

**Postal Address** \_\_\_\_\_

Occupation \_\_\_\_\_

**\*<sup>(2)</sup> Surname** \_\_\_\_\_

*Full Christian Name(s)* \_\_\_\_\_

*Postal Address* \_\_\_\_\_

## Occupation

\*(3) Surname \_\_\_\_\_

*Full Christian Name(s)* \_\_\_\_\_

**Postal Address** \_\_\_\_\_

Occupation

\* For use in cases where Debenture(s) are to be registered in joint names.

If more than one Scrip Certificate is lodged on one account, it is only necessary to fill in particulars on one form, but the numbers of the Scrip lodged must be inserted in the columns provided below in numerical order.

**SCRIP LODGED FOR EXCHANGE.**

£50 each.	£100 each.	£100 each.	£100 each.
Distinctive Numbers.	Distinctive Numbers.	Distinctive Numbers.	Distinctive Numbers.

**†**In the case of Joint Accounts all parties must sign.

**DISCOUNT WHICH MAY BE DEDUCTED ON PAYMENT IN FULL ON OR BEFORE** —— 19

PER \$100 nominal amount      \$

(If payment in full is made after 19, the amount of Discount deductible may be obtained from the Bankers.)

**Form No. 46.**  
Transfer form.

(i) Insert "I" or "We"

(i)

TRANSFER No.....

*Certificate for  
Coupon  
Company's Office by*

in \*consideration of the sum of

paid by

(hereinafter called "the said Transferee...."), Do hereby transfer to the said Transferee

of and in the Undertaking called

**To hold** unto the said Transferee..., subject to the several conditions on which.....hold the same AND....., the said Transferee, do hereby agree to accept and take the said.....subject to the conditions aforesaid.

**As Witness** our hands and seals, this.....day of.....One thousand nine hundred and

**Signed Sealed and Delivered** by the above-named

in the presence of

{ Signature†  
Address  
Occupation

Seal

**Signed Sealed and Delivered** by the above-named

in the presence of

{ Signature†  
Address  
Occupation

Seal

**Signed Sealed and Delivered** by the above-named

in the presence of

{ Signature†  
Address  
Occupation

Seal

**Signed Sealed and Delivered** by the above-named

in the presence of

{ Signature†  
Address  
Occupation

Seal

**Signed Sealed and Delivered** by the above-named

in the presence of

{ Signature†  
Address  
Occupation

Seal

\*The Consideration Money set forth in a Transfer may differ from that which the first Seller will receive, owing to the sub-sales by the original Buyer. The Stamp Act, 1891, requires that in such cases the Consideration Money paid by the Sub-purchaser shall be the one inserted in the Deed as regulating the *ad valorem* Duty. The following is the Clause in question:-

"Where a person, having contracted for the purchase of any Property, but not having obtained a Conveyance thereof, contracts to sell the same to any other person and the Property is in consequence conveyed immediately to the Sub-purchaser, the Conveyance is to be charged with *ad valorem* Duty in respect of the Consideration moving from the Sub-purchaser." [54 & 55 Vict., cap. 39, Section 58, Sub-section 4.]

†When a Transfer is executed out of Great Britain it is recommended that the signatures be attested by H.M. Consul or Vice-Consul, a Clergyman, Magistrate, Notary Public or by some other person holding a public position, as most companies refuse to recognise signatures not so attested. When a Witness is a Female she must state whether she is a Spinster, Wife or Widow, and if a Wife she must give her Husband's Name, Address and Occupation.

**A FORM OF CERTIFICATE REQUIRED ON TRANSFER MADE FOR A NOMINAL CONSIDERATION IS  
GIVEN ON THE BACK OF THIS FORM.**

**Form No. 46 (continued).**  
**(Back of form).**

**Signed Sealed and Delivered** by the above-named  
in the presence of  

Signature†	.....
Address	.....
Occupation	.....



**FORM OF CERTIFICATE REQUIRED WHERE TRANSFER IS  
NOT LIABLE TO AD VALOREM STAMP DUTY.**

We hereby certify that the transaction on which this transfer is made, and under which the fixed Duty of ten shillings is payable, falls within the following description:—

- (a) Vesting the property in Trustees on the appointment of a new Trustee of a pre-existing trust or on the retirement of a Trustee.
- (b) A transfer, as for a nominal consideration, to a mere nominee of the Transferor where no beneficial interest in the property passes. The circumstances giving rise to the transfer should be stated below.
- (c) A transfer by way of security for a loan; or a re-transfer to the original transferor on repayment of a loan. (N.B.—A transfer from a vendor made by direction of a purchaser to a person who is to hold the shares as security for a loan made to the purchaser is liable to *ad valorem* duty.)
- (d) A transfer to a residuary legatee of stock, etc., which forms part of the residue due to him under a Will.
- (e) A transfer to a beneficiary under a Will of a *specific legacy* of stock, and is not in discharge or partial discharge of a pecuniary legacy.
- (f) A transfer of stock, etc., forming part of the property of a person dying intestate, to the party or parties entitled to it.
- (g) A transfer to a beneficiary under a settlement on distribution of the trust funds, of stock, etc., forming the share, or part of the share of those funds to which the beneficiary is entitled in accordance with the terms of the settlement.

**Strike out paragraphs which do not apply.**

Here set out concisely the facts explaining the transaction in cases falling within (b) and (c) or in any case which does not clearly fall within any one of the clauses (a) to (g). Adjudication in any case may be required.

A series of six horizontal lines, each consisting of a series of small black dots. The lines are evenly spaced vertically across the page.

Dated this..... day of..... 19.....

<p>•Transferees</p> <hr/> <hr/> <hr/>	<p>•Transferees</p> <hr/> <hr/> <hr/>
---------------------------------------	---------------------------------------

**\*Signature** ..... **Description** .....

\*The Certificate must be signed by (i) both the Transferor and the Transferee, or (2) either a member of a Stock Exchange or a Solicitor acting for one of the parties, or (3) an accredited representative of a Bank. When the Bank or its official nominee is a party to the transfer the Certificate may be to the effect that "the transfer is excepted from the provisions of Section 74 of the Finance (1900-1910) Act, 1906".

N.B.—A transfer on sale or by way of a gift, *inter vivos*, or in liquidation of a debt or in satisfaction in whole or in part of a pecuniary legacy, or in exchange for other securities, is chargeable with *ad valorem* Duty.

**Form No. 47.**  
Record of transfers

**Form No. 48.****Notice to transferor.**

No.....

**THE COMPANY, LIMITED.***Registered Office :*

\_\_\_\_\_, E.C.

.....19.....

DEAR SIR(S) OR MADAM,

I have received for {Certification}  
 {Registration} a Deed (or Deeds) of Transfer, conveying out of  
 your name the undermentioned Shares.

Unless I hear from you in course of post that there has been any irregularity in the  
 execution of the Transfer(s) I shall assume that Registration may be effected in due course.

SHARES TRANSFERRED	NAME OF TRANSFeree

Yours faithfully,

*For and on behalf of*

THE COMPANY, LIMITED.

\_\_\_\_\_, Secretary.

To.....

.....  
.....

**NOTE** This Notice is issued to prevent irregularities in Transfer Deeds, and to protect  
 Transferors and Transferees of Shares as far as possible.

**Form No. 49.****Balance ticket.****ORDINARY SHARE BALANCE TICKET. No.....***Registered Office:*

LONDON, E.C.

*Date.....*

RECEIVED from .....

Letter of Allotment No.....  
 Certificate No. ..... } in favour of .....  
 Transfer Receipt No. .... }

for ..... Ordinary Shares (— paid)

Against which have been certified Transfers for ..... " " "

lodged

Leaving a Balance of

**DISTINCTIVE NUMBERS.**

From

To

*For and on behalf of*

THE

**COMPANY, LIMITED.***Secretary.*

BALANCE CERTIFICATE will not be prepared unless requested and will only be issued in exchange for this Ticket.

Fee Paid.....

**TRANSFER HOURS 10 to 1.30 and 2.30 to 4, SATURDAYS EXCEPTED.**

In the event of this Ticket being lost or mislaid a Letter of Indemnity will be required.



## Form No. 50.

Balance ticket (with receipts for further instalments).

Original  
Allottee's Folio }

## BALANCE RECEIPT.

New Ordinary Shares (— Issue)

THE

COMPANY, LIMITED.

TO BE DESPATCHED TO:

New Issue Department : \_\_\_\_\_,

, LONDON, —.

19

RECEIVED from \_\_\_\_\_

Address \_\_\_\_\_

Allot. Letter(s) No.(s) \_\_\_\_\_

Transfer Receipt(s) \_\_\_\_\_

Balance \_\_\_\_\_

} in name(s) of \_\_\_\_\_

for \_\_\_\_\_ deposited against Transfer(s) (certified/lodged) for \_\_\_\_\_ Leaving balance of \_\_\_\_\_

New Ordinary Shares (— Issue) \_\_\_\_\_  
New Ordinary Shares (— Issue) \_\_\_\_\_ Paid  
New Ordinary Shares (— Issue) \_\_\_\_\_Share  
Nos. \_\_\_\_\_

Registrar.

When the shares are fully paid, and subject to the approval of the Directors, the Share Certificate(s) (of the readiness of which notice will be given) will be issued in exchange for this Receipt.

Written \_\_\_\_\_

Checked \_\_\_\_\_

Further instalments on the shares comprised herein are due on \_\_\_\_\_, 19\_\_\_\_\_, 19\_\_\_\_\_, and \_\_\_\_\_, 19\_\_\_\_\_, and the sums mentioned in the dockets hereunder should be remitted on or before those respective dates to one of the following Banks, viz.:—

— BANK LTD., \_\_\_\_\_, London, E.C.  
— BANK LTD., \_\_\_\_\_, London, E.C.  
— BANK LTD., \_\_\_\_\_, London, E.C.  
— BANK LTD., \_\_\_\_\_, London, E.C.

together with this Receipt ENTIRE, which will be duly receipted and returned by the Bank.

THE COMPANY, LIMITED.  
3 ORDINARY SHARES.  
Instalment due \_\_\_\_\_, 19\_\_\_\_\_.RECEIVED for a/c The \_\_\_\_\_ Company,  
Limited, £ \_\_\_\_\_ the amount  
due on the above date.

Signature of Bank \_\_\_\_\_

Date \_\_\_\_\_

(PERFORATED)  
THE COMPANY, LIMITED.  
ORDINARY SHARES.Original Allottee's Folio \_\_\_\_\_  
3 Instalment due \_\_\_\_\_, 19\_\_\_\_\_.

£ \_\_\_\_\_ :

Signature of Bank \_\_\_\_\_

Date \_\_\_\_\_

THE COMPANY, LIMITED.  
2 ORDINARY SHARES.  
Instalment due \_\_\_\_\_, 19\_\_\_\_\_.RECEIVED for a/c The \_\_\_\_\_ Company,  
Limited, £ \_\_\_\_\_ the amount  
due on the above date.

Signature of Bank \_\_\_\_\_

Date \_\_\_\_\_

(PERFORATED)  
THE COMPANY, LIMITED.  
ORDINARY SHARES.Original Allottee's Folio \_\_\_\_\_  
2 Instalment due \_\_\_\_\_, 19\_\_\_\_\_.

£ \_\_\_\_\_ :

Signature of Bank \_\_\_\_\_

Date \_\_\_\_\_

THE COMPANY, LIMITED.  
1 ORDINARY SHARES.  
Instalment due \_\_\_\_\_, 19\_\_\_\_\_.RECEIVED for a/c The \_\_\_\_\_ Company,  
Limited, £ \_\_\_\_\_ the amount  
due on the above date.

Signature of Bank \_\_\_\_\_

Date \_\_\_\_\_

(PERFORATED)  
THE COMPANY, LIMITED.  
ORDINARY SHARES.Original Allottee's Folio \_\_\_\_\_  
1 Instalment due \_\_\_\_\_, 19\_\_\_\_\_.

£ \_\_\_\_\_ :

Signature of Bank \_\_\_\_\_

Date \_\_\_\_\_

## APPENDIX B

**Form No. 50 (continued).**

(Back of form.)

## **DISPOSAL OF SHARES.**

*Particulars of Transfers Certified and Lodged.*

**Form No. 50 (continued).**

(Duplicate copy.)

Original  
Allottee's Folio

{ BALANCE RECEIPT.

New Ordinary Shares (— Issue)

THE

COMPANY, LIMITED.

TO BE DESPATCHED TO:

New Issue Department : \_\_\_\_\_,

\_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, LONDON, \_\_\_\_\_.  
\_\_\_\_\_ 19

RECEIVED from \_\_\_\_\_

Address \_\_\_\_\_

Allot. Letter(s) No.(s) \_\_\_\_\_

Transfer Receipt(s) \_\_\_\_\_

Balance \_\_\_\_\_

{ \_\_\_\_\_ } in name(s) of \_\_\_\_\_

deposited against Transfer(s) (certified/lodged) for \_\_\_\_\_ or \_\_\_\_\_ New Ordinary Shares (— Issue) \_\_\_\_\_  
Leaving balance of \_\_\_\_\_ New Ordinary Shares (— Issue) \_\_\_\_\_  
New Ordinary Shares (— Issue) \_\_\_\_\_ PaidShare Nos. { \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Registrar \_\_\_\_\_

When the shares are fully paid, and subject to the approval of the Directors, the Share Certificate(s)  
(of the readiness of which notice will be given) will be issued in exchange for this Receipt.

Written \_\_\_\_\_

Checked \_\_\_\_\_

**Form No. 51.**  
**(Transfer receipt.)**

# THE COMPANY, LIMITED.

## COMPANY, LIMITED.

*Registered Office:*

No..... LONDON, E.C.

LONDON, E.C.

Date.....

**ORDINARY SHARE TRANSFER RECEIPT.**

RECEIVED of .....  
the following Transfers for Registration (subject to the approval of the Directors):—

*For and on behalf of*  
**COMPANY, LIMITED.**

*Fee paid.....*

Secretary.

Share Certificates will be ready about two months after date and will only be issued in exchange for this Receipt.

**TRANSFER HOURS 10 to 1.30 and 2.30 to 4, SATURDAYS EXCEPTED.**

In the event of this Receipt being lost or mislaid a Letter of Indemnity will be required.

## Form No. 52.

Transfer receipt (with receipts for further instalments).

Original  
Allottee's Folio }

## TRANSFER DEED RECEIPT.

Transfer No. ....

New Ordinary Shares (- Issue)

THE COMPANY, LIMITED.

New Issue Department :

LONDON, —.

RECEIVED from \_\_\_\_\_

Transfer Deed(s) for ..... New Ordinary Shares (— Issue) ..... paid

in favour of                 

together with Registration Fee(s).

Share  
Nos. \_\_\_\_\_

Registrar.

When the shares are fully paid, and subject to the approval of the Directors, the Share Certificate(s) (of the readiness of which notice will be given) will be issued in exchange for this Receipt.

Written.....

Checked....

Further instalments on the shares comprised herein are due on —, 19—, —, 19—, and —, 19—, and the sums mentioned in the dockets hereunder should be remitted on or before those respective dates to one of the following Banks, viz.—

- BANK LIMITED, —, London, E.C.

together with this Receipt ENTIRE, which will be duly receipted and returned by the Bank.

THE COMPANY, LIMITED.  
ORDINARY SHARES.  
3 Instalment due —, 19—.

RECEIVED for a/c The Company, Limited, £ ..... the amount due on the above date.

Signature of Bank.

Date

(PERFORATED).....  
THE COMPANY, LIMITED.  
ORDINARY SHARES.Original  
Allottee's Folio } Tr. No. ....  
2 Instalment due —, 19—.

£ ..... : ..

Signature of Bank

Date

(PERFORATED).....  
THE COMPANY, LIMITED.  
ORDINARY SHARESOriginal  
Allottee's Folio } Transfer No.  
2 Instalment due —, 19—.

£ ..... : ..

Signature of Bank

Date

(PERFORATED).....  
THE COMPANY, LIMITED.  
ORDINARY SHARES.Original  
Allottee's Folio } Transfer No.  
1 Instalment due —, 19—.

£ ..... : ..

Signature of Bank

Date

THE COMPANY, LIMITED.  
ORDINARY SHARES.  
Instalment due —, 19—.

RECEIVED for a/c The Company, Limited, £ ..... the amount due on the above date.

Signature of Bank.

Date

THE COMPANY, LIMITED.  
ORDINARY SHARES.  
1 Instalment due —, 19—.

RECEIVED for a/c The Company, Limited, £ ..... the amount due on the above date.

Signature of Bank.

Date



## APPENDIX B

**Form No. 52 (continued).**

(Back of form.)

## **DISPOSAL OF SHARES.**

*Particulars of Transfers Certified and Lodged.*

**Form No. 52 (continued).**

(Duplicate copy.)

*Original  
Allottee's Folio* } **TRANSFER DEED RECEIPT.** *Transfer No.* \_\_\_\_\_

**New Ordinary Shares (— Issue)**

**THE COMPANY, LIMITED.**

*New Issue Department:* \_\_\_\_\_ LONDON, —.

**RECEIVED from** \_\_\_\_\_

\_\_\_\_\_ *Transfer Deed(s) for* \_\_\_\_\_ *New Ordinary Shares (— Issue)* \_\_\_\_\_ *paid*

*in favour of* \_\_\_\_\_

*together with Registration Fee(s)* \_\_\_\_\_

*Share Nos.* \_\_\_\_\_ *Registrar.* \_\_\_\_\_

When the shares are fully paid, and subject to the approval of the Directors, the Share Certificate(s)  
(of the readiness of which notice will be given) will be issued in exchange for this Receipt.

*Written* \_\_\_\_\_ *Checked* \_\_\_\_\_

**Form No. 53.**  
Documents register.

**Form No. 54.**

*Reproduced, by kind permission,  
from The Manual of The Chartered Institute of Secretaries.*

**Dividend request.**

THE COMPANY, LIMITED,  
London Wall, London, E.C.

No.....

For Office use only

Noted .....

Sh. Reg. Fol. .....

Ackd. .....

Stncl. .....

*PLEASE PAY* all dividends, interest or bonuses which I am now or maybe  
hereafter entitled to receive to the\*.....

Bank at.....

whose acknowledgment shall be a sufficient discharge.

Dated this..... day of....., 19.....

†*Proprietor's Signature* .....

*Proprietor's Full Name* .....

*Permanent Address*

\* Insert correct description of Bankers with full postal address.

† In joint accounts this form must be signed by all the registered holders.

**Form No. 55.**

*Reproduced, by kind permission,  
from The Manual of The Chartered Institute of Secretaries.*

**Specimen signature and dividend request.**

(This form may be sent out with certificate in the case of all new holdings.)

THE COMPANY, LIMITED,

LONDON WALL, LONDON, E.C.....

..19...

No....

To.....

(Address)..

For Office use only.

No. of Certificate	No. of Shares or Amount of Stock
-----------------------	--

Please favour me with a specimen of your ordinary signature below, returning this form to me.

If you desire that dividends or interest on your Shares (or Stock) should be paid to your Bankers direct, please also fill up and sign the form at foot hereof.

*Secretary.*

Ordinary Signature of  
Shareholder or Stockholder. } .....  
 }

To THE COMPANY, LIMITED.

*PLEASE PAY* all dividends, interest or bonuses which I am now or may be hereafter entitled to receive to the\*.....  
.....

Bank at.....

whose acknowledgment shall be a sufficient discharge.

Date....., 19.....

(Signed).....

NOTE.—In the case of a joint account all holders must sign.

\* Insert correct description of Bankers with full postal address.

**Form No. 56.****Acknowledgment of dividend request.**

No.....

**THE COMPANY, LIMITED.**

REGISTERED OFFICE: .....

....., E.C.  
..... 19.....

DEAR SIR(S) OR MADAM,

I am in receipt of your ..... of the ..... , and  
 in accordance with your request have duly noted that all Dividends that may become due  
 on Shares registered in your name(s) are to be paid to .....

for the credit of .....

I shall be glad if you will kindly advise me immediately of any inaccuracy or change  
 in the instructions noted above.

Yours faithfully,

*For and on behalf of*  
 THE COMPANY, LIMITED,

*Secretary.*

To .....

**Form No. 57.****Acknowledgment of notification of change of address.**

No.....

**THE COMPANY, LIMITED.**

REGISTERED OFFICE: .....

....., E  
..... 19.....

DEAR SIR(S) OR MADAM,

I am in receipt of your ..... of the ..... , and in  
 accordance with your request have duly altered your address in the books of this Company  
 from .....

to .....

I shall be glad if you will kindly advise me immediately of any inaccuracy or change in  
 the address mentioned above. This notice is sent in duplicate, to the old and the new  
 addresses, as a precaution against fraudulent notifications.

Yours faithfully,

*For and on behalf of*  
 THE COMPANY, LIMITED,

*Secretary.*

To .....

**Form No. 58.**

**Indemnity in case of loss of certificate.**

**Indemnity to Company in case of loss of  
Certificate.**

\*6D.

**STAMP**

## To the

Limited.

*and to the Directors of the said Company.*

## GENTLEMEN.

The original certificate of title dated the \_\_\_\_\_ day of \_\_\_\_\_ relating to the \_\_\_\_\_ shares

of each numbered to inclusive in the

(1) I am or above-named Company of which (1) the Proprietor  
we are. having been (2) , (3) request you and the said  
(2) Lost or mislaid. Company to issue to (4) a fresh certificate of title for such  
(3) I or we. shares and in consideration thereof (8) hereby undertake and  
(4) Me or us. agree with you and the said Company and the Directors for the time  
being of the said Company to deliver up the said original certificate of  
title to the said Company if the same shall at any time hereafter be  
recovered, and to indemnify and save harmless the said Company  
and the Directors and Proprietors thereof from and against all  
actions, proceedings, loss, charges, damages, expenses, claims and  
demands which may be brought or made against the said Company  
or the Directors or Proprietors thereof or which the said Company  
or the Directors or Proprietors thereof shall or may sustain or be  
put to by reason of your consenting or of the said Company con-  
senting to issue such fresh certificate of title or in consequence of  
your permitting or of the said Company permitting at any time  
hereafter a transfer of the above shares or any of them without the  
production of the original certificate above referred to.

Date .....

Name .....  
.....

*Address* .....

*Occupation* .....

(8)

of

in the County of \_\_\_\_\_ concur in the above request and  
guarantee the performance by the said \_\_\_\_\_

of the above undertaking.

Signature.....

\* NOTE.—This can be signed over a 6d. stamp if under hand, but if under seal a 10s. stamp is necessary.

**Form No. 59.**

Reminder re non-payment of allotment money.

**THE****COMPANY, LIMITED.**REGISTERED OFFICE (*pro tem.*) :

LONDON, E.C.

\_\_\_\_\_, 19\_\_\_\_.

<b>Issue of</b>	<b>Shares of</b>	<b>each at the price of</b>	<b>per Share.</b>
-----------------	------------------	-----------------------------	-------------------

DEAR SIR(S) OR MADAM,

**Letter of Allotment No..**

With reference to the above Letter of Allotment, for ..... Shares, posted to you on the \_\_\_\_\_, I notice that you have not yet paid the amount due on Allotment.

I am instructed to remind you that in addition to the amount payable on Allotment a further instalment became due on the \_\_\_\_\_, and I am to ask that you will be good enough to forward your cheque for £....., being the total amount payable by you on Allotment and on the \_\_\_\_\_, to the Company's Bankers without further delay.

I am instructed further to draw your attention to the fact that under the Company's Articles of Association Interest at the rate of — per cent. per annum may be charged on all instalments not paid on the due date, and failure to pay any instalment will render the Shares liable to forfeiture.

Cheques should be made payable to the \_\_\_\_\_ Bank, Ltd., or Bearer, and forwarded with the Letter of Allotment to the \_\_\_\_\_ Bank, Ltd., \_\_\_\_\_, London, E.C.

Yours faithfully,

*For and on behalf of*

THE COMPANY, LIMITED,

*Secretary (*pro tem.*).*To : 

**Form No. 60.**

Reminder re non-payment of instalments.

**THE COMPANY, LIMITED.**REGISTERED OFFICE (*pro tem.*):

LONDON, E.C.

—, 19—.

<b>Issue of</b>	<b>Shares of</b>	<b>each at the price of</b>	<b>per Share.</b>
-----------------	------------------	-----------------------------	-------------------

DEAR SIR(S) OR MADAM,

**Letter of Allotment No.**

It is observed that the following amounts due upon your Allotment of  
 ..... Shares still remain unpaid:—

Second Instalment .. .	£	:	:
Third Instalment .. .	£	:	:
<b>TOTAL .. .</b>		£	

I am instructed by my Directors to request that you will be good enough without delay to forward to the Company's Bankers a cheque for the amounts in question which are now considerably overdue.

I am instructed further to draw your attention to the fact that under the Company's Articles of Association Interest at the rate of — per cent. per annum may be charged on all instalments not paid on the due date, and failure to pay any instalment will render the Shares liable to forfeiture.

Cheques should be made payable to the \_\_\_\_\_ Bank, Ltd., or Bearer, and forwarded with the Letter of Allotment to the \_\_\_\_\_ Bank, Ltd., \_\_\_\_\_, London, E.C.

Yours faithfully,

*For and on behalf of*

THE

COMPANY, LIMITED,

*Registrar (*pro tem.*).*

**Form No. 61.**

**Reminder re non-payment of instalments and threat of legal proceedings.**

**THE****COMPANY, LIMITED.****REGISTERED OFFICE (*pro tem.*):**

LONDON, E.C.

\_\_\_\_\_, 19\_\_\_.

**Issue of            Shares of            each at the price of            per Share.****DEAR SIR (OR MADAM),**

I am instructed to advise you that the question of the outstanding instalments on your Shares in this Company (circular letters in regard to which were sent to you on the \_\_\_\_\_ and on the — and —) was considered at a Directors' Meeting held on the \_\_\_\_\_.

At the Meeting in question I was instructed to write and urge upon you the necessity of paying the outstanding instalments without delay, and in the event of your not seeing your way to do this within 14 days from this date I am to place the matter in the hands of the Company's Solicitors.

I trust that you will be able to complete the payment(s) within the time specified, and so avoid the necessity of my placing the matter in other hands.

Yours faithfully,

*For and on behalf of*

**THE****COMPANY, LIMITED,**

---

*Secretary.*

**Form No. 62.**  
**Schedule of interest on instalments paid in advance**

THE

COMPANY, LIMITED.

## INTEREST AT Issue of

**Shares of each at the price of per Share.**  
**% PER ANNUM ON INSTALMENTS PAID IN ADVANCE.**

**EXTRACTED BY** \_\_\_\_\_  
**CALLED OVER BY** \_\_\_\_\_  
**EXTENSIONS** \_\_\_\_\_  
**CHECKED BY** \_\_\_\_\_  
**CHEQUES** \_\_\_\_\_  
**CHECKED BY** \_\_\_\_\_  
**PUT UP BY** \_\_\_\_\_

**Form No. 63.**

**Letter and cheque in payment of interest on instalments paid in advance.**

[Please quote this letter and number No. I  
in all correspondence re this payment.]

**THE COMPANY, LIMITED.**

**REGISTERED OFFICE (*pro tem.*):**

**LONDON, E.C.**  
**, 19 .**

**Issue of Shares of each at the price of per Share.**

**DEAR SIR(S) OR MADAM,**

In accordance with the terms of the Prospectus, interest at the rate of — per cent. per annum is payable on sums paid in advance of the due dates, as from the date of allotment or from subsequent dates of payment.

I enclose herewith cheque in respect of interest due to you on sums paid in advance, made up as follows:—

Instalment Due	Amount	Interest due from	Number of days	Interest at -% per annum
— £ : : :				£ : : :
— £ : : :				£ : : :

Cheque herewith      ... £ : : :

Yours faithfully,

*For and on behalf of*  
**THE**

**COMPANY, LIMITED,**

*Registrar (*pro tem.*).*

To \_\_\_\_\_

(PERFORATED)

No. I

London, , 19 .

**BANK, LIMITED.**

Pay ..... or order

ad.  
impressed  
stamp.

*For and on behalf of*  
**THE COMPANY, LIMITED.**

£ : : :  
T

NEW  
ISSUE  
ACCOUNT.

**Form No. 64.****Circular letter re purchase of shares by financial syndicate.****PRIVATE AND CONFIDENTIAL.****THE SYNDICATE, LIMITED.**

DEAR SIR(S),

\_\_\_\_\_, 19\_\_\_.

**THE COMPANY, LIMITED.**

Syndicate of                fully paid                Ordinary Shares.

We have agreed to purchase \_\_\_\_\_ fully paid shares of — each in the Company, Limited, a Company incorporated under the Laws of \_\_\_\_\_, particulars of which are enclosed herewith. Permission to deal in these shares has been granted by the Committee of the Stock Exchange, London.

We have pleasure in offering you..... shares of — each, subject to the following terms:—

1. The price payable will be — per fully paid share of —, payable on the \_\_\_\_\_, 19\_\_. Payment is to be made in sterling for our account at \_\_\_\_\_ Trust Company, Limited, \_\_\_\_\_ London, E.C., and against payment they will deliver to you certificates for the shares purchased.

Should the whole of the certificates not be ready on the \_\_\_\_\_ the number of shares which members of the Syndicate are required to pay for on that date will be rateably reduced and you will be notified of the later date on which payment for the balance of your participation will be required.

2. It is a condition of the sale that the shares purchased shall be syndicated with us for re-sale.

3. The managers of the Syndicate will be Mr. \_\_\_\_\_ of \_\_\_\_\_, and Mr. \_\_\_\_\_ of \_\_\_\_\_, London, E.C.

4. The managers will have a discretion to sell the syndicated shares from time to time at such price as they think fit.

5. Shares sold will be called *pro rata* from the members of the Syndicate in proportion to the number of shares purchased by them and not withdrawn from sale.

6. Members of the Syndicate will have the right to withdraw from sale not exceeding — per cent. of the shares purchased provided they notify the managers in writing of the number of shares so withdrawn when accepting their participation and undertake to hold the shares so withdrawn and not to market them until after the Syndicate has been dissolved.

7. The managers will be entitled to pay such brokers' commissions and such costs, charges and expenses in connection with the sale of the shares as they think reasonable.

8. You must undertake to deliver to the managers as and when called against payment of — per share the shares purchased by you and not withdrawn from sale. Your proportion of any profit that may be realised from the re-sale of the syndicated shares after charging expenses as mentioned in clause 7 hereof will be accounted for to you by the managers in due course.

9. The managers while undertaking to use their best endeavours to market the shares are not to be liable for anything except a breach of trust knowingly and intentionally committed by them.

10. The Syndicate will be dissolved and the profits distributed on the \_\_\_\_\_, 19\_\_, or earlier at our option.

\*     \*     \*

The average price at which we have agreed to purchase the shares is — per share and out of the difference between this price and the price at which the shares are offered to you we are paying a brokerage on the placing of the Syndicate participations and all expenses in connection with the formation of the Syndicate.

If you wish to accept the participation now offered, please sign and return to us at once the enclosed form (form 65) as we cannot leave this offer open.

We are,

Yours faithfully,  
For and on behalf of

THE \_\_\_\_\_ SYNDICATE, LTD.,

\_\_\_\_\_,  
Director.

**Form No. 65.**  
**Form of acceptance of participation.**

---

*No.*.....

To THE \_\_\_\_\_ SYNDICATE, LTD.,

---



---



---

GENTLEMEN,

**THE** **COMPANY, LIMITED.**

---

Syndicate of                   fully paid           Ordinary Shares.

I/We am/are obliged by your letter of the \_\_\_\_\_, 19\_\_\_\_\_, and have pleasure in accepting the offer of..... fully paid shares of — each in the above Company.

I/We desire to withdraw from sale.....of the said shares and accordingly undertake that the shares so withdrawn shall not be sold or dealt with by me/us until after the Syndicate has been dissolved.

Yours faithfully,

Signature .....

6d.
Stamp.

Name in full.....

Address .....

.....

Date.....

**Form No. 66.****Acknowledgment of acceptance and notification of delivery of shares.****PRIVATE AND CONFIDENTIAL.**

No.....

**THE SYNDICATE, LIMITED.**

DEAR SIR(S),

**THE COMPANY, LIMITED.**

Syndicate of                fully paid                Ordinary Shares.

With reference to our circular letter of the ----- and your acceptance of shares, of which you have expressed a wish to withdraw.....shares from sale, we are proposing to deliver the whole of the shares purchased on the — inst. in the terms of clause 1 of our circular. The number of shares to be delivered to you is therefore..... and the amount payable for such shares at — per share is £.....

Payment of this amount should be made at the office of The ----- Trust Co., Ltd., -----, London, E.C., on Thursday next, the — inst., before 11 o'clock, and should be accompanied by the attached form (form 67) which should be completed, signed and detached.

Cheques should be made payable to the ----- Bank, Limited, or "Bearer" and crossed "The ----- Syndicate, Limited." Alterations from "Order" to "Bearer" must be initialled by the drawer of the cheque.

Yours faithfully,

For and on behalf of

THE ----- SYNDICATE, LTD.,

Director.

To : -----

-----

-----

**Form No. 67.****Letter enclosing cheque in exchange for shares.***No.....***To THE SECRETARY,**THE \_\_\_\_\_ TRUST Co., LTD.,  
\_\_\_\_\_  
\_\_\_\_\_

LONDON, E.C.

DEAR SIR,

**THE COMPANY, LIMITED.**

Syndicate of                  fully paid                  Ordinary Shares.

At the request of The \_\_\_\_\_ Syndicate, Limited, I/we enclose herewith cheque for  
£..... in payment for ..... of the above shares.(a) Please { hand to the bearer of this letter  
                          forward by post at my/our risk to.....  
.....

the certificates for such shares.

Yours faithfully,

*Signature .....**Date.....*(a) *Strike out whichever line is not required.*

**Form No. 68.**

Notification of sale of shares and instructions for delivery.

---

**PRIVATE AND CONFIDENTIAL.**

No.....

THE SYNDICATE, LIMITED.

---

---

---

DEAR SIR(S),

19 .

**THE COMPANY, LIMITED.**

Syndicate of                fully paid                Ordinary Shares.

We have the pleasure to advise you that.....shares have been sold, of which your proportion is.....shares. If you will kindly arrange to deliver these shares to us on Thursday next, the.....inst. before 11 o'clock, we will hand you in exchange a cheque for £....., being payment for the shares called at —— per share in accordance with the terms of the Syndicate agreement.

The attached form (form 69) should be completed, signed and detached and returned to us with your certificates.

Yours faithfully,

*For and on behalf of*

THE ——— SYNDICATE, LTD.,

*Director*

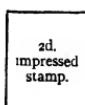
To : \_\_\_\_\_

**Form No. 69.****Letter enclosing shares in exchange for cheque.**

To THE ————— SYNDICATE, LTD.,

No.....

—  
—  
—



DEAR SIRS,

**THE COMPANY, LIMITED.**

Syndicate of              fully paid              Ordinary Shares.

In response to your circular letter of..... I/we enclose herewith certificates for..... of the above-mentioned shares, and I/we hereby acknowledge the receipt from you of the sum of.....

.....  
being payment for such shares at —— per share in accordance with the terms of the Syndicate agreement.

Please forward your cheque for this sum by:—

\*Strike out              { (a) The bearer of this letter.  
(a) or (b)              { (b) Post to .....

.....  
Yours faithfully,

Signature.....

Date.....

£ : :  
\_\_\_\_\_

**Form No. 70.**

**Notification of completion of sale of shares and enclosing cheque for proportion of profit.**

**PRIVATE AND CONFIDENTIAL.**

No. ....

## THE

## **SYNDICATE, LIMITED.**

DEAR SIR(S).

—, 19—.

THE

## **COMPANY, LIMITED.**

**Syndicate of                    fully paid            Ordinary Shares.**

The sale of the whole of the shares left with us for re-sale having now been completed we have the pleasure to enclose herewith a cheque for £....., being ..... per share net profit.

Kindly acknowledge receipt in due course.

In accordance with clause 10 of our letter of the \_\_\_\_\_, 19\_\_\_\_\_, we also have to advise you that the Syndicate has now been dissolved.

Yours faithfully,

*For and on behalf of*

THE ————— SYNDICATE, LTD.,

*Director.*

To \_\_\_\_\_

## Form No. 71.

**Alternative form of circular letter re purchase of shares by financial syndicate.**

**PRIVATE AND CONFIDENTIAL.**

**THE COMPANY, LIMITED.**

DEAR SIR(S),

—, 19—.

We have agreed to purchase —— fully paid shares of —— each in ——, a Company incorporated under the Laws of ——, short particulars of which you will find enclosed in the form of a letter to —— Bank, Ltd., from Mr. ——, the Chairman of the Company, and a report by Mr. ——, Consulting Engineer. These shares will carry the full dividend for the current year ending —, 19—, when declared.

You will see from the copy letter from Mr. ——, which is enclosed, that—

- (1) The present Share Capital of the —— Company is ——, of which shares to the nominal value of —— have been paid up in full and the remaining —— are at present only paid up to the extent of — per cent.
- (2) The Company manufactures ——.
- (3) About — per cent. of the total production in — is exported.
- (4) Mr. —— expects to recommend a dividend at the rate of — per cent. on the fully paid shares for the year ending —, 19—.

We have pleasure in offering you —— shares of —— each, subject to the following terms:

1. The price payable will be £—— per fully paid share of ——, payable as to —— per Share on the —, 19—.

19—.

19—.

Payment is to be made for our account at —— Bank Ltd., ——, E.C., in sterling, and against each payment they will deliver to you fully paid provisional scrip certificates for 25 per cent. of the shares purchased, which scrip will be exchangeable for definitive share certificates on and after the —, 19—. Interest at the rate of — per cent. per annum will be charged on overdue payments.

2. It is a condition of the sale that the shares purchased shall be syndicated with us for re-sale, and that the Syndicate is to continue in force for a period of three months from the date hereof.

3. The managers of the Syndicate will be The —— Company, Limited.

4. The managers will have a discretion to sell the syndicated shares from time to time at such price as they think fit, not being less than £—— per share.

5. Shares sold will be called *pro rata* from the members of the Syndicate in proportion to the number of shares purchased by them and not withdrawn from sale.

6. Members of the Syndicate will have the right to withdraw from sale not exceeding — per cent. of the shares purchased (or more with the consent of the managers), provided they notify the managers in writing of the number of shares so withdrawn when accepting their participation and undertake to hold the shares so withdrawn and not to market them until after the Syndicate has been dissolved.

7. The managers will be entitled to pay such brokers' commissions and such costs, charges and expenses in connection with the sale of the shares as they think reasonable.

8. The managers will be entitled as remuneration for their services to a commission of — per cent. on the profits made on the re-sale of the shares, i.e., the difference between £—— and the proceeds of sale after deducting brokers' commissions, the managers paying all other expenses of re-sale.

9. You must undertake to deliver to the managers as and when called against payment of £—— per share the shares purchased by you and not withdrawn from sale. Your proportion of any profit that may be realised from the re-sale of the syndicated shares after charging the brokers' commissions will be accounted for to you by the managers in due course.

10. Permission to deal in the shares has been granted by the Committee of the Stock Exchange, London.

11. The managers, while undertaking to use their best endeavours to market the shares, are not to be liable for anything except a breach of trust knowingly and intentionally committed by them.

The price at which we have agreed to purchase the shares is £—— per share, and out of the difference between this price and the price at which the shares are offered to you we are paying a brokerage of — per share on the placing of the Syndicate participations and certain other commissions.

If you wish to accept the participation now offered, please sign and return to us at once the enclosed form (form 72) as we cannot leave this offer open.

We are,

Yours faithfully,

*For and on behalf of*

THE —— COMPANY, LTD.,

—, Director.

**Form No. 72.**  
**Form of acceptance of participation.**

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No.....

To THE \_\_\_\_\_ COMPANY, LTD.,

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

GENTLEMEN,

\_\_\_\_\_

\_\_\_\_\_

We are obliged by your letter of the \_\_\_\_\_, 19\_\_\_\_\_, and have pleasure in accepting the offer of ..... fully paid shares of \_\_\_\_\_ each in the above Company on the terms therein set out which we undertake to observe.

We desire to withdraw from sale ..... of the said shares, and accordingly undertake that the shares so withdrawn shall not be sold or dealt with by us until after the Syndicate has been dissolved.

We are,

Yours faithfully,

Signature .....

6d.

Stamp.

Name in Full .....

Address .....

.....

Date.....



**Form No. 73.**

**Acknowledgment of acceptance with bankers' receipts attached for payment of instalments against delivery of scrip.**

No.....

THE

**COMPANY, LIMITED.**

**PRIVATE AND CONFIDENTIAL.**

\_\_\_\_\_, 19\_\_\_.

DEAR SIR(S),

We duly received your acceptance form in regard to the proposed purchase of shares in the above company and we note that you . shares

It is understood that the shares which you are withdrawing from re-sale shall be those which will be delivered to you on your making the payment(s) due on the .....

You will be notified in due course when shares are required from you for re-sale in accordance with the terms of our circular letter of the — instant.

This letter must be presented by you at \_\_\_\_\_ Bank, Ltd., \_\_\_\_\_, E.C. upon payment of each instalment and surrendered against payment of the final instalment.

Cheques should be made payable to \_\_\_\_\_ Bank, Ltd., or Bearer and crossed "The \_\_\_\_\_ Co., Ltd." Alterations from "Order" to "Bearer" must be initialled by the drawer of the cheque.

Where the total number of Shares which you have agreed to purchase is not exactly divisible by four, the manner of payment and delivery will be found indicated overleaf.

Yours faithfully,

*For and on behalf of*

THE \_\_\_\_\_ COMPANY, LTD.,

*Director.*

To:



## BANKERS' RECEIPTS.

## TO BE DETACHED BY THE BANKERS.

.. (PERFORATED) ..

**1** RECEIVED the Fourth (Final) Instalment due on ——, 19—, in respect of which fully paid Scrip for.....Shares has been issued.  
 For- —Bank, Ltd.

No..  
 Fourth (Final) Instalment payable on ——, 19—, — per share on.....Shares.  
 £ : : . Date.....

.. (PERFORATED) ..

**1** RECEIVED the Third Instalment due on ——, 19—, in respect of which fully paid Scrip for.....Shares has been issued.  
 For- —Bank, Ltd.

No..  
 Third Instalment payable on - 19—, — per share on.....Shares.  
 . Date..

.. (PERFORATED) ..

**2** RECEIVED the Second Instalment due on ——, 19—, in respect of which fully paid Scrip for.....Shares has been issued.  
 For———Bank, Ltd.

No..  
 Second Instalment payable on - 19—, — per share on.....Shares.  
 £ : : . Date.....

.. (PERFORATED) ..

**1** RECEIVED the First Instalment due on ——, 19—, in respect of which fully paid Scrip for.....Shares has been issued.  
 For- —Bank, Ltd.

No..  
 First Instalment payable on — 19—, — per share on.....Shares.  
 . Date..

[SEE OVER]

## APPENDIX B

SCRIP.	DISTINCTIVE NUMBERS.
@ 1 =	<b>A</b> —
@ 5 =	<b>B</b> —
@ 10 =	<b>C</b> —
@ 25 =	<b>D</b> —
@ 50 =	<b>E</b> —
@ 100 =	<b>F</b> —

SCRIP.	DISTINCTIVE NUMBERS.
@ 1 =	<b>A</b> —
@ 5 =	<b>B</b> —
@ 10 =	<b>C</b> —
@ 25 =	<b>D</b> —
@ 50 =	<b>E</b> —
@ 100 =	<b>F</b> —

SCRIP.	DISTINCTIVE NUMBERS.
@ 1 =	<b>A</b> —
@ 5 =	<b>B</b> —
@ 10 =	<b>C</b> —
@ 25 =	<b>D</b> —
@ 50 =	<b>E</b> —
@ 100 =	<b>F</b> —

SCRIP.	DISTINCTIVE NUMBERS.
@ 1 =	<b>A</b> —
@ 5 =	<b>B</b> —
@ 10 =	<b>C</b> —
@ 25 =	<b>D</b> —
@ 50 =	<b>E</b> —
@ 100 =	<b>F</b> —

**Form No. 74.****Notification of sale of shares and instructions for delivery.**

No.....

**THE****COMPANY, LIMITED.**

\_\_\_\_\_, 19—.

**PRIVATE AND CONFIDENTIAL.****DEAR SIR(S).**

With reference to our circular letter of the — inst., we have to advise you that we are arranging to deliver for settlement on the — prox. — per cent. of the shares left with us for re-sale.

Your proportion of this number is ..... shares, and we shall be glad if you will kindly arrange to deposit the scrip certificates for these shares with — Bank, Ltd., —, London, E.C., not later than Tuesday next, the — prox., between the hours of 11 a.m. and 3 p.m.

The scrip certificates must be left with — Bank, Ltd., for two days for examination and a cheque for £....., being payment for the shares called at £—— per share as agreed, will be available for you on Thursday, the — prox.

The attached form (form 75) should be completed, signed and detached and lodged with — Bank, Ltd., together with the scrip certificates for the shares called as above.

Yours faithfully,

*For and on behalf of*

THE — COMPANY, LTD.,

\_\_\_\_\_  
*Director.*

To:

\_\_\_\_\_  
\_\_\_\_\_

**Form No. 75.**

Letter enclosing shares in exchange for cheque.

No.....

— BANK, LTD.,

— LONDON, E.C.

2d.  
impressed  
stamp.

DEAR SIRS,

The — Co., Ltd. have requested me/us to deliver to you..... shares in the above company and I/we accordingly enclose herewith scrip certificates for such shares as specified below.

I/we also acknowledge the receipt from you of the sum of.....,

being payment for the shares now deposited at £—— per share, as agreed.

(a) Strike out if not required. (a) Please forward me/us your cheque for this sum by post to .....

Yours faithfully,

Signature.....

£ : : .....  
\_\_\_\_\_

Date.....

SCRIP	DISTINCTIVE NUMBERS
@ 1 =	A —
@ 5 =	B —
@ 10 =	C —
@ 25 =	D —
@ 50 =	E —
@ 100 =	F —
TOTAL	_____

**Form No. 76.****Notification of completion of sale of shares.**

THE **COMPANY, LIMITED.**

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**PRIVATE & CONFIDENTIAL.**

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DEAR SIR(s),

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Referring to our circular letter of the ——— we now have the pleasure to advise you that the whole of the shares left with the Syndicate for re-sale have been disposed of at an average price of approximately £——— net.

Of these shares — per cent. have been called for settlement on the — inst. and the remaining — per cent. will be called in due course.

Yours faithfully,

*For and on behalf of*

THE ————— COMPANY, LTD.,

---

*Director.*

**Form No. 77.****Instructions for delivery of balance of shares.**

No.....

**THE COMPANY, LIMITED.**

\_\_\_\_\_, 19—.

**PRIVATE AND CONFIDENTIAL.**

DEAR SIR(S),

With reference to our circular letter of the — inst., we have to advise you that we are now arranging to deliver the remaining — per cent. of the shares left with us for re-sale.

Your proportion of this number is..... shares, and we shall be glad if you will kindly arrange to deposit the scrip certificates for these shares with — Bank, Ltd., —, London, E.C., not later than Tuesday next, the — prox., between the hours of 11 a.m. and 3 p.m.

The scrip certificates must be left with — Bank, Ltd., for two days for examination and a cheque for £....., being payment for the shares called at £—— per share as agreed, will be available for you on Thursday, the — inst.

The attached form (form 75) should be completed, signed and detached and lodged with — Bank, Ltd., together with the scrip certificates for the shares called as above.

Yours faithfully,

*For and on behalf of*

THE — COMPANY, LTD.,

*Director.*

To:



**Form No. 78.**

**Letter enclosing cheque for proportion of profit on sale of shares.**

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**THE COMPANY, LIMITED.**

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\_\_\_\_\_, 19\_\_\_.

**PRIVATE AND CONFIDENTIAL.**

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DEAR SIR(S),

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The sale of the whole of the shares left with us for re-sale having now been completed we have the pleasure to enclose herewith a cheque for £....., being your proportion of the surplus realised from the re-sale @ \_\_\_\_\_ per share, as follows:—

Average <i>net</i> selling price, per share	..	..	..	£_____
Payment already made, per share	..	..	..	£_____
Surplus on sale, per share	..	..	..	£_____
LESS —% commission, in accordance with Clause 8 of our letter of the —, viz., per share	..	..	..	£_____
Net surplus, per share	..	..	..	£_____

Kindly acknowledge receipt in due course.

Yours faithfully,

*For and on behalf of*

THE \_\_\_\_\_ COMPANY, LTD.,

---

*Director.*

**Form No. 79.****Notification of dissolution of syndicate.**

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THE COMPANY, LIMITED.

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PRIVATE AND CONFIDENTIAL.

—, 19—.

DEAR SIR(S),

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With reference to our circular letters of the —— and ——, 19—,  
we beg to inform you that the Syndicate has now been dissolved.

Yours faithfully,

*For and on behalf of*

THE —— COMPANY, LTD.,

---

*Director.*

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